Interview with Michael E.C. Ely

The Association for Diplomatic Studies and Training Foreign Affairs Oral History Project

MICHAEL E. C. ELY

Interviewed by: Charles Stuart Kennedy

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Q: I wonder if you could give me a little about your background, when and where you were born and raised and educated.

ELY: My father and his father before him were West Pointers, and my uncles all went to West Point as well, so I come from of an old Army family and was raised at Army posts. My father taught ROTC at Princeton back in the '30s and got the idea of sending me there. I was nearsighted and couldn't get into West Point, so it was clear I was not to have a military career. So I went to Princeton instead, where I went to the Woodrow Wilson School and studied international affairs. I thought I was going to be an engineer when I got to Princeton, and then I found that my math wasn't strong enough. I was interested in history, so I majored in international affairs, substantially in history, which I liked very much.

And right after university, I went in as a second lieutenant of artillery during the Korean War. I was actually drafted into the antiaircraft, in which I had no background, and spent a miserable 21 months on the mud flats outside of New York City, in a would-be air defense in case the Russians came over the Pole on a suicide mission.

Q: Well, I take it, though, that since New York still stands in 1992, essentially your mission was successful.

ELY: We were on the wrong side of the city, south of it, so the Russians would have had to come in the other way. But I guess, after they dropped their bombs, we could get even by shooting them down with our 90-mm antiaircraft guns.

After that, I had my first and only experience with the private sector, when, in 1954, I went to work for a bank in New York as a trainee who didn't enjoy it very much.

Had the opportunity of taking the Foreign Service exam. They were recruiting in '55, after having closed down for a year in the wake of the McCarthy harassment. I passed the written examination handily. They were looking for people so I got through the oral quickly.

Q: That was the three-and-a-half-day exam, wasn't it?

ELY: That was the last of the three-and-a-half-day examinations. I didn't find it all that difficult myself. I think probably the kind of education I had gave me an advantage, because somebody who was as good as I was and didn't have the same education wouldn't have done as well. I joined and moved back to Washington. I was born in Washington and had lived there, so it was a city I knew. And found, to my surprise, that I was put in Personnel. While I was working in the New York bank, I had gone for a year of night school to the New York University Graduate School of Business Administration, and so Personnel thought that this meant that I was interested in administration. This was the time of Walter Wriston and the Wriston Program, so I became a personnel technician.

Q: You came in in 1955. Did you have any training?

ELY: No. I didn't take the A-100 until almost two years later. They threw me right into the trenches in the Office of Personnel, which was disorganized work—it was a question of pushing papers, getting orders processed, and taking care of people with different kinds

of problems. I carved out a little niche as being responsible for personnel assignments for secretaries in most of the Far East. So I was persuading secretaries to go to Seoul, Jakarta, and...

Q: This was quite a problem, because in those days, as I recall, secretaries were far more important than officers as far as recruiting and getting them to go.

ELY: Most of these secretaries were on their first tour, and their idea was always to go to Paris, and when it turned out to be someplace else, they felt that they had somehow been deceived. But I was reasonably successful.

Q: I did some of this. The attributes that make for a good used car salesman sort of carry over into that particular type of assignment.

ELY: Well, I don't think I would have been a good used car salesman, but I could reassure these young women, on one hand, show them pictures of the post, and tell them about it (I'd never actually been there, so that I had to improvise), and how important it was, and how they'd be members of an embassy family and looked after. After a while, they'd swallow hard and go, and I think it usually worked out pretty well for them.

Because I was working in this Far Eastern section of the Personnel Office, I came to the eye of the Far Eastern Bureau. And when my time was coming to an end, I was asked if I was interested in serving in the Far East. And I poked around there. My first reaction was, well, Burma would be very interesting. It turns out that Burma was, even in those days, a tough post. I had recently been married and I didn't want to take on something extremely difficult, so I asked for and got Kuala Lumpur. And since the post wasn't opening up for six months, they allowed me to stay on and do Indonesian language training, part time.

Q: Indonesian being essentially a Malay language which was spoken in both areas?

ELY: Well, Indonesian is a codification of all the local languages around there, which are all related. Indonesian is like Latin is to Portuguese or Spanish. So I got to Kuala Lumpur speaking fairly good Indonesian. They could understand me perfectly well and were astonished, but I could never understand the response, which was highly inflected Malay. Also, all secondary education was in English, so that anybody that I was interested in talking to had an English education. So that my Malay was only useful when traveling in the bush and the hinterlands, and even then, I usually couldn't understand.

Q: You were in Kuala Lumpur from '57 to '59. What was the political situation at that time?

ELY: I got there one month before independence and at the very end of what they called the Emergency, which was a Chinese insurgency against the British and the colonial system, and against the world. Lucien Pye and a number of people have done a good deal of research on the real root of this Chinese Communist rebellion in the jungle, which had actually broken out in the late '40s, developed into a major Vietnam-like civil war in the early '50s, was eventually suppressed but not eliminated in the mid-'50s, and lasted until the '70s, in a flickering, reduced way. It was, to make a long and complicated story short, a drama of alienation in the Chinese community, of son from father, brought on by the rapid and intense social change that movement from mainland China to Malaya had brought about. It was a revolt against Confucianism.

The Emergency was technically still in effect when I got to Kuala Lumpur, so it was a hardship post. But there was very little hardship, believe me. It was still British and colonial, and had clubs and restaurants and golf courses. A hierarchical society. I was amazed by it; I didn't think that such things still existed. But they certainly did. But at the same time, it was a well-run country, no corruption, relatively prosperous. Kuala Lumpur was and is a Chinese city. I was amazed at the racial content of life there; everything depended on ethnic grouping.

I was back four years ago, found everything had changed and nothing had changed. The city was built up, beautiful and modern, with skyscrapers and heavy traffic and all that, but the same racial tensions still prevailed: the Malays fear the Chinese; the Chinese hold the Malays in contempt for their passiveness and laziness; and both sides look down on the Indians, who...

Q: This was in the '50s, before we had what we probably today would call sensitivity training. How did the embassy deal with the—by the time you were there—mostly ex-colonialist British, the Malays, the Chinese, and all?

ELY: Well, we had an ambassador who had come from being deputy chief of mission in Rome, and he was an old-timer, very formal.

Q: Who was this?

ELY: Homer Byington, Jr.

Q: Oh, God.

ELY: You know him?

Q: Well, yes, his ghost lingers on in Naples. He was born there and served there for eons.

ELY: Well, he was an enthusiastic golfer. Actually, he was a likeable man, but really stuck in the past. His wife was a grande dame; she insisted that all the ladies wear gloves and stockings and hats, and pay calls. There was much printing of formal calling cards. Sort of a European invasion of the post. It was probably the most European post I've ever served at, in some respects.

The British were phasing out. The Malay politicians who were running the country were unsure of themselves. The Chinese were desperately worried about political repression. And the country was very uneasy. The planters at the Selangor Club on Saturday night,

when they'd all go and drink a lot, were saying, when independence comes, there would be fighting from Johor Baharu, which is down on the tip of the peninsula, clear up to Alor Star. As it turned out, there was no such conflict. It took place 15 years later.

I rotated, did a little consular work, a little political work, and then ended up doing rubber and tin, which was the main substantive economic activity there, and rather enjoyed it.

My wife had a baby, the first American born in independent Malaya. And we were transferred from there to Paris. In Kuala Lumpur, I had virtually no culture shock at all—everybody spoke English, you were immediately inserted into the clubs, you had a charge account at the department store, and the amah (the maid) came along with the apartment.

Q: Yes, that was always considered one of the nicest posts in the Foreign Service.

ELY: It was very nice then; probably even nicer than it is now.

But Paris, where I arrived on a cold November day in 1959, was very different, and nobody looked after you there. If you didn't speak the language in Paris 1959, you were high and dry. It was much less of an international place than it is now, and the French did not speak English, nor would they.

De Gaulle had come in in '58. This was at the winding down of the great post-war period. The Marshall Plan was phasing out. The Marshall Plan ended just shortly after I got there, and we set up the OECD instead. The French were in the European Community, and France was moving toward a more independent, self-confident stance.

But the deep divisions in French society were very apparent, even then. And the relations between France and the United States were very ambivalent. The French were intensely suspicious of our role in Algeria. They were intensely ambivalent about what we did in Indochina. De Gaulle disliked the Atlantic Alliance, which he thought was a tool of American predominance. The French had dreams of 20 years before, when France was

considered the most powerful nation in the world. That was nearly gone. It was an illusion, but the French still had it.

And French society was still riven by the very factors that are being purged only today; that is, who did what during the occupation? Nobody was telling the truth. It was a society very much like recent society in the Soviet Union, based on lies. The Communists said that they had started the resistance and won the war. De Gaulle said, no, no the Free French had won the war. And in point of fact, neither did. The Allied forces, primarily American, won the war. But nobody was going to admit this.

On the right, Americans were unpopular because of our open-democracy populism, open culture, and prosperity. And sooner or later, whenever you were talking to a prominent French person, someone would start mentioning the almighty dollar. The almighty dollar...

While on the left, which included not just the Communists and the trade unions, but the entire academic community and almost all the intellectuals, Americans were seen as representatives of a rotten capitalist society. First, you get the Nazis, and then you get the capitalists, and we represented the capitalists.

So, while Americans were personally well treated and well regarded, as a country the United States was very unpopular. In the Foreign Ministry, the nationalists disliked us because France had become too reliant on the United States. The Atlanticists were purged by de Gaulle, which meant the friends of United States were taken out of the Foreign Ministry and even out of the government.

While for me, as a junior officer, it didn't make a lot of difference, this was not an easy period. I had a terrible time finding a place to live and learning the language. Eventually, I got 12 weeks of intensive French. I'd had a year in college, and that's the only formal French I've ever had. But that gave me enough so I was able to get going.

At about that time, de Gaulle, in one of his typically monarchical gestures, decided to free French Africa in 1960. And all of a sudden, these countries were cast loose. Not exactly cast loose, but made formally independent. The embassy had to find somebody to mark on that, and I found myself immersed in the problems of these newly emergent countries, with their commercial and financial ties with France.

Q: It must have been a fascinating time. This was just before the Kennedy administration came in, wasn't it?

ELY: Exactly.

Q: Well, to go back, what were you doing when you first arrived in '59?

ELY: I spent my entire three years working in the treasury office for Donald J. McGrew, himself a subject of considerable oral history. McGrew had been the deputy to Tommy Tomlinson, who had been a very important figure in the Marshall Plan and OEEC in the great days of the late '40s and early '50s. Tomlinson died, allegedly of overwork, in 1955, I believe. And when Tommy passed, McGrew replaced him. McGrew had already been there for ten years and stayed on for another 15.

Q: He was subordinate to the Treasury or to the embassy? What was his relationship?

ELY: Well, that requires going back a little bit. The Foreign Service Act of 1946 was framed to make the Foreign Service presidential, not State Department. And the Foreign Service was to represent all departments of the US government—Agriculture, Treasury, and any other department with overseas functions. Treasury never accepted this division; it would not give up its personnel system and independence to a system that it didn't control, would be dominated by the State Department. Treasury never joined, and Agriculture quickly broke away. Agriculture had its Corn Belt constituency that felt that it really had to control their foreign agricultural service; they couldn't let the State Department run that. So the Treasury attach# in Paris was from another agency. By 1959, it was quite

clear that the original concept of the Foreign Service Act of 1946 was forgotten. The White House would have had to give the concept full support. It never got it. So it became a reversion to the State Department, overall, providing the top political or economic people in the embassies, and other agencies putting in their own people for their functions.

McGrew was innovative and unusual. He was the deputy chief of the economic section. And the economic minister in Paris in those days was an important person. And indeed, Jack Tuthill, who's on the board of my Jean Monnet Council, was a close contact of Monnet himself.

Q: He's also the subject of an oral history interview we've done.

ELY: He left just before I arrived, and he saw a great deal of Jean Monnet and all the big actors of the post-war period, like Robert Marjolin.

Anyhow, I worked for McGrew, and he trained me. He had what he called McGrew University. Art Hartman was, I think, two people before me. Very intensive. You had to know French very well, both how to speak it and then all the technical language. Required a great deal of persistence. And you had so much contact work to do. You had to call on and get to know, officials and then do your work by phone, if possible. In those days in particular, the French didn't like telephones very much, and they wanted you to come around. And they insisted on doing everything in French, even if they were bilingual. A phony atmosphere in which to operate, but still exhilarating and interesting.

My work on former French Africa brought me into contact with whole sections of the government where we had never had contact before—the Ministry of Cooperation, which was the French aid agency; the Ministry of Education, which ran the education system in that area and was paranoid about the English language replacing French, a paranoia that turned out to be misplaced.

Q: Once French gets in, it stays.

ELY: Seems to, doesn't it. Although it was partly mistaken; part of the French deep suspicion of Americans both replacing the French with our economic and financial power and making Africa part of the anti-Communist battlefield, reflecting the way that the United States tended to see the world: It's us and our allies versus the Soviet Union, so let's get in there before the Russians do. Well, it turned out this was heavy-handed but not inaccurate. The Russians were behaving worse than we did, and they quickly moved into Guinea; they moved into everywhere they could.

Q: They tried it in Congo and Brazzaville.

ELY: That's right, and they did get into Angola and other places. The Russians were quite ready to turn Africa into a Cold War battleground.

Q: You were dealing with French agencies that the normal American diplomat doesn't deal with very much. I know nothing about the French political spectrum, but did you find these agencies—Coordination, Education, and all—sort of dominated by what I would put sort of to the left of the spectrum? Maybe the Education more the intellectuals, and the Coordination more the technocrats? How did you find it?

ELY: Well, for one thing, France was and remains an intensely elitist society. And the peak of the elite you find in the government, and the peak of the governmental elite you find in the inspecteurs des finances. And I found myself running into these people everywhere I went. The inspecteur des finances is a supertechnocrat, protected, powerful, privileged, overworked, brilliant, and usually quite condescending. Learning to deal with these people was one of the most useful things I acquired.

Q: Let me ask a technical question. Here you were, you had not had much French, and although you had been through Princeton, we don't train people the same way they do in their school systems.

ELY: You mean the one-upmanship and put-downs?

Q: Yes, and all this. How did you deal with these people?

ELY: Well, it took me a while, and I was baffled at first. But, typically, you'd go down to the Direction des Relations Ext#rieur et Communiques Ext#rieur, and there would be a 32-year-old inspecteur des finances, in his miserable back office lit by a single yellow light bulb, wearing an old blazer and a sweater, and smoking a Gauloise, and the ashes are going down the front of his shirt. You sit down and he looks at you and he asks you your business. And then he says, “Well, I'm glad you have that, because...,” and he explains it to you, because obviously the Americans have an imperfect understanding. “It's one, two, three, four, and five. And this is the way these all go together.”

And after a while, you say, “That's wonderful. I hadn't understood it that way. But don't you think it might be one, two, three, four, five, and six? It's even better that way.”

Then he looks at you, and he says, “Aha, I have a worthy antagonist.” And he starts dealing with you seriously.

Q: Everything fits into a form, doesn't it? As an enjoyer of French movies, I find that they see systems, where I don't think Americans see systems.

ELY: Yes. It was a revelation of sorts dealing with these people, because they were very good and really smart. They also have an institutional set that is totally different from anything that we do. And a relatively small number of people, working very, very hard, do the work of a much larger number of people in American administrations. We have a resolutely non-elitist view of government service, where we put in political appointees clear down to the assistant secretary level. The French wouldn't dream of that. They have their corps of loyal, protected, and powerful civil servants, who are put through a series of cream separators, weeded out, and then they start at the top and work up. A totally

different system, that it makes the American system seem populist, bumbling and top-heavy in comparison.

Over the years, looking back, I find that the systems reflect the cultures. I don't think we could operate with the French system. I think they might do a little better if they had something a little closer to ours, but that's an observation that I can't prove.

Q: At the time, did Treasury sort of have a different view than "the embassy" did about where we were going? A different French policy?

ELY: Not at that time. This was a time when relations between State and Treasury were very close. John Leddy, who had been assistant secretary for European affairs, went over to be assistant secretary of the treasury. We exchanged people quite a bit, and my presence in the Treasury office in Paris was part of an agreement that had been made about ten years earlier. Although there had been very deep divisions between Treasury and State in the early post-war period, where Treasury argued that the Europeans should have gone into massive devaluations and massive trade liberalization (something they were never going to do), by the end of the '40s, this had been patched up and State and Treasury saw eye to eye on lots of things. By the '60s, this had broken down. Treasury views on the international payment system tended to be very conservative. State was becoming more innovative, and the two finally fell away. Now they have reverted warring kingdoms, and cooperate on the basis of mutual advantage, and are basically hostile to each other. They look to different constituencies and speak only when required. Relations between State and Treasury are bad, and I don't see any structural reason why this should improve. Personalities make things better or worse.There is no overall control of US foreign economic policy anymore. Indeed, there's no longer a willingness to admit that foreign economic policy is foreign policy. The Congress in particular wants to break trade policy away from other aspects of foreign policy. Most-favored-nation for China, the Uruguay round, the primacy of STR, the taking of the commercial function away from State

to Commerce. The whole foreign economic policy process is now fragmented and pulls together only at the Cabinet level in the White House.

Q: I want to drag you back to the 1950s, early '60s. We had two ambassadors while you were there, Amory Houghton and James Gavin. I've heard, in other interviews I've done with people who were in the embassy during this time, that the embassy was sort of divided into Gaullists and almost anti-Gaullists. Did you find that there was an ambivalence within the various officers in how they looked at de Gaulle?

ELY: Yes. I wouldn't say there were pro-Gaullists and anti-Gaullists, but there were those that deplored de Gaulle, and those that said, “Look, this is very French, it's necessary, and you've got to take it into account. Don't think that this guy's going to go away, and don't think that by opposing him, you can overcome him. Gaullism speaks to French people in its own way, and we'd better take that into account.”

De Gaulle was in the process of making himself very unpopular with Americans, and, indeed, the anti-French feeling began about the time that I got there, and was increasing by the time I left in '62. I guess it reached a peak in '64 when de Gaulle pulled out of NATO. Well, it started to crest then. The French were, of course, playing both sides of the street. They were playing their American cards, their European cards, and their election cards, all the East-West cards, and doing their customary tightrope act in the search for national prestige. This was and is much resented. Mitterrand does the same thing now, where he says he wants the United States in Europe, but the Americans are going to leave anyhow, so he wants to make a special deal with the Germans.

Q: Again, I speak as an outsider, but a retired Foreign Service officer. Looking at this, it all seems like the French are sitting around doing things more to annoy us or to be different. And I'm sure that's not an accurate thing, but is there something, do you think, within this that makes...

ELY: You have a couple of things. The French will maintain that they see things differently from us, that they have a long-term view of Communism, civilization, and all, which is opposed to our historical populace's innocent, unconsciously nationalistic view. So they're wiser. And then, second, the French have a very deep-seated sense of frustration and inferiority, which (as inferiority feelings often do) takes the opposite form; that is, superiority and anxiety, resentment. This is dying off now as the French get their self-confidence back. Many people would argue that de Gaulle was a necessary phase in recovering that self-confidence. They didn't have it in the early '60s. This was one reason that being an American was sometimes an unpleasant business among the French. You have to remember, this was the time of Sartre, and Sartre was a Communist...

Q: He was a philosopher.

ELY: Yes, and a very influential person. The entire Sorbonne, all the universities, were full of Marxists, all of whom had a dislike and contempt for the United States and all it stood for. Even though they might have had some nice personal feelings on the side, institutionally they were anti-American. It was in 1964 that Michel Debr#, then prime minister, managed to make a speech celebrating the 20th anniversary of the Normandy landing without mentioning the United States, which took quite a bit of acrobatics. Well, he was a firm Gaullist, and the Gaullist view was that the Free French had won the war; they had liberated Paris and the Americans had come in afterwards, which was total distortion. We got the liberation ready and politically stepped back to let him liberate the city for his own political reasons.

I was charg# d'affaires very briefly in 1984 at the 40th anniversary of D-Day. This was when Ronald Reagan came to the Normandy beaches, with Mrs. Reagan. And my wife, who is an interpreter, went out to Normandy to interpret. I was sitting alone in the DCM's office; our entire embassy was out at the beaches doing administrative support for the president and his party. A French historian was broadcasting over French television, showing scenes where the Allies had landed. He started saying what a bloody business

it had been, both the landings and the subsequent fighting, and the very heavy casualties on both sides, and how the Americans had lost 1,000 here, and the British had lost 4,000 there, and the Germans had lost half a division here, and here's where they... the German tanks, and here's where the Germans holed up and 600 of them fought to the last man, and the ones who were about to be captured blew themselves apart. Finally, this was truth, this is what actually happened, told by a French historian to Frenchmen. And I came to the conclusion, that period of French history is over. The French no longer feel that they have to lie to justify themselves. And that now the whole [question of] who collaborated with whom during the occupation was finally coming out when they brought out the first film on that, Le Chagrin et la Piti#, back in the mid-'60s.

Q: The Sorrow and the...

ELY: The Sorrow and the Pity; it was about collaboration. The right wing and the left wing took turns bombing the movie theaters. They both disagreed.

Q: I realize that you were a junior officer there, but did you get any feeling about how the ambassadors, both Houghton and Gavin, were responding to this difficult period? Was there a difference?

ELY: Houghton was a patrician from a nice family, a lot of money, and he was very much of a gentleman. If there were some problem or tragedy in the embassy family, there would be tactful help from the ambassador, in the form of money and support: a very patrician and responsible approach. He had a slight lisp and he spoke French with an accent, and the French made continual fun of him, they denigrated him and ridiculed him, which was quite unfair; he was a prince. And as a result he had little impact on the French, and virtually none in Washington.

Gavin was quite different. Gavin had been a division commander during the Second World War, a very famous paratrooper, and he commanded the 82nd Airborne.

Q: Yes, and he jumped at Normandy.

ELY: He jumped at Normandy, and he jumped again at Arles. And he was decorated. Gavin had been on orphan, a complicated person, very intelligent, rather driven. He was supposed to speak French, but didn't speak it very well. He taught French at West Point. He knew the language, but he didn't speak it. Lots of Americans were that way in those days.

His primary policy preoccupation was whether or not, and if so, to what extent, the United States would cooperate with the French in their independent nuclear-weapon capability. Gavin felt strongly that, since this was going to happen, and since its impact in terms of American interests was ambiguous, that is, certain aspects would be good, and other aspects bad, we should cautiously cooperate with the French, and in particular provide them with computer capacity and either air refueling technology or maybe even the tankers, so they could fly their Mirages to and from the Soviet Union.

This caused a very deep policy division back in Washington, which was poisoned by the deep resentment people felt for Charles de Gaulle and the anti-American policies that he was orchestrating. The resentment went so far as to make, in my view, rational discussion of Gavin's opposition impossible. Eventually, Gavin was overruled and he quit. I think he probably ended up, as many ambassadors do, as a prisoner of his own concepts. He was prepared to go further in defending them than they merited. That independent nuclear strike force was supposed to be, and was, a threat to the Alliance by facilitating an independent French role.

The French eventually did exactly what they wanted, in the sense that they were able to claim the benefits of the Alliance without having to belong to it, and were able to play both sides of the street. And it was to our great credit that we kept the Alliance together, and it was not to their credit at all that Western Europe survived this damned period until the Soviet system finally collapsed.

Anyhow, I never had any culture shock in Kuala Lumpur, but I had plenty in Paris.

Q: One last thing about this French view. You were dealing with these French-speaking African countries, the liberation there. In the middle of this period, the Kennedy administration came in. This was where we were making at least very large gestures and all.

ELY: Was Soapy William our assistant secretary for African affairs?

Q: Oh, yes. Oh, yes.

ELY: And John Gunther Dean flew into independent Mali and established the first embassy there before the Russians could get there.

Q: How did this play, from your perspective, and also with the French? You'd already alluded to it, but let's talk a little more about it.

ELY: Well, we were trying to get both sides to avoid unintended confrontations. For example, we put an AID mission into Cameroon, and the first thing they did was set up an import program and brought in Caterpillar tractors, which they figured were needed, putting the local French Caterpillar tractor dealer out of business.

Q: Oh, God.

ELY: Now this was not very intelligent. Then we sent an educational mission. I grabbed those people and took them around to the Ministry of Education, where the director general of the ministry sat these people down and filleted them, although they didn't understand this at the time. I had to explain afterwards that they were being viewed with intense suspicion by the French Ministry of Education, and since the French Ministry of Education, at least for then, was very much in charge of things down there, they should

be very careful in their relationships with them, and be very open, very cooperative, and understand that they were moving onto what these people thought was their turf.

Q: And very sensitive turf, at that.

ELY: Very sensitive.

Q: Anything—language, culture.

ELY: All these things. La Mission Civilisatrice (the Civilizing Mission of France) was and remains at the heart of every French person. Since they tend to think that their civilization is better than anybody else's, it's extremely important to them.

So I did this sort of honest brokering, which was very cross-cultural; it really got me inside the mind of these French civil servants. They're brilliant, overworked, underpaid, paranoid, suspicious, and always thinking ahead in terms of the interests of France, as defined by them. I found it was fascinating.

Q: Again, this is nuts and boltsish, but I think this was a very interesting time. You had these American educators coming out who must have been up against real cultural shock. How did you prepare them, and how successful was this when they were going to come up against the cultural vehemence of the French?

ELY: I would give them briefings and would try to say, “Well, look, fellows, I'm not speaking for the French government. Because I give you their viewpoint doesn't mean that I believe this. I just want you to know what you're getting into.” And then say, “They've been down there for X years. The French looked on Africa back in the '30s as their strategic reserve for the Second World War. They'd put investments in there to grow cotton, to kind of raise rubber, rice, become self-sufficient. This colonial mentality is still alive. They put a lot more into Africa than the British did, in terms of education and infrastructure and all. It hasn't

paid very well. And now the area's becoming independent. And there's a lot of sensitivity about it. Be careful of the French; don't consider them your friends."

Q: This is April 17, 1992, and this is the second interview with Michael E. C. Ely. We had left Paris, where you'd been from '59 to '62. Where did you go?

ELY: The Department sent me to Harvard for a year.

Q: What were you studying?

ELY: I studied purely economics, although I got a degree in public administration. I did the get-rich-quick, low-quality MPA degree. Harvard was wonderful.

Q: Pause on that just for a second. What was your impression of going into the academic world. Here you'd been in Paris, which was certainly a major financial center and things were happening and all. And to go to Harvard, with your view there. What was your view of sort of the academic approach and all that?

ELY: Well, I found the whole thing very stimulating. I'd worked very hard in Paris and had a lot of stress. I found that I worked just as hard in Cambridge, although I was not familiar with the way that they treat students at Harvard; that is, they give you utterly unreasonable reading lists and expect you to work it out. I did, in fact; I learned how to read 20 articles in an evening and extract the essence of each of them, discarding the ones that were less important and concentrating on the ones that were more important. I don't think the professors cared one way or the other what you did, but they expected you to be able to do the reading.

I took some fairly difficult courses. My mathematical preparation was modest, and this was at a time when econometrics were coming on fast. They've now faded somewhat, but then, everything was quantitative and mathematical. And I took a couple of courses that were really quite both theoretical and mathematical. I'm glad I did it. In particular, I took the

Economics of Agriculture by a famous Dutch econometrician named Hendrik Houthakker, who's still there. This almost killed me, but I managed to pass it with a decent grade; I got an A-. And I was very proud of what I did. The other courses were, by and large, less demanding.

I found that if I worked hard and kept my brain clear, I could do okay. I could compete on equal terms with the graduate students there, whom I found, to my amazement, were a beaten-down bunch. They were the lowest form of living creature. A graduate student who's trying to get ready for his comprehensives so he can then do his dissertation does nothing but work and worry. The versatile, witty, and pleasure-loving undergraduates are quite different from the graduate students.

But I got a good year out of it.

I was posted to Ottawa. My wife threatened to leave me if I went there, so I wrote to the director general and said, look, you know, this is the first and last time I'll ever do this. Can you change the assignment? After Harvard, as expected, I was posted to the Department. They told me that the Harvard assignment counted as part of my three-year Washington tour, which I was grateful for.

Q: I might add that this was in the era, which you and I both belonged to, where overseas was considered better than Washington.

ELY: I always considered it so.

Q: And I did, too.

ELY: Perhaps at some professional cost, which I am quite prepared to pay. Was and would be now. To use a pungent phrase, one of my bosses said, “You have to remember that the policy process is endless shit.” And, indeed, that describes it.

Q: That's an excellent description. It's less pungent overseas, where you're dealing with another country.

ELY: Yes, that's right. Although there are very definite limits on what you can do, within those limits you can have quite a bit of freedom to maneuver. It can often be a temptation to your honesty to misreport the conversation. Whoever lost the memorandum of conversation, you know. “I insinuated; he seemed impressed.” “When I refuted his arguments, he fell back.” “We'll have to give this a review.”

I went from there to the Department, working again on financial matters. Did a lot of fairly intensive work with the International Monetary Fund (IMF) and with AID, working on Africa in particular. I went on a couple of trips to Rwanda and Burundi as a consultant to AID and worked on stabilization programs in various, mainly African, countries, but also India as well. And worked with AID on lots of questions of long-term development policy.

Q: What was your impression of AID in working in the financial sector? Was there hope that these things would really have a success, or were we just trying to shore up almost unshorable countries?

ELY: AID and State always had their own hidden agendas for all these countries.

State was, by and large, as bad as it is often depicted in the public. In other words, they just wanted to get money for their client states, keep them happy, keep the money coming, keep the ambassador appeased, keep the local leadership appeased, going through the gauntlet of congressional requirements and hurdles and hoops to jump through for the PL 480 programs and the development assistance programs. So State was always just trying to get money and didn't really care much about the substance on which it was spent.

AID mainly was trying to cover its ass. They wanted to keep the Congress happy and protect themselves against criticism, and also build some institutions and have some successes that they could point to later.

Some of them understood that the financial aspect was very important, because without your financial system working properly—that is to say, your budget, your savings and investment system—you're probably not going to go anywhere anyhow. The first requirement is law and order, the second requirement is a legal system, and the third requirement is a financial system. This was acknowledged, but not paid much attention to.

I would say that my impact on AID policy was some, at the margin, but not really important.

I got myself in trouble with State because I was always criticizing their favorite projects, many of which merited criticism. But it didn't bother me. Actually, I had quite a good time. And out of the process, got myself assigned as chief of the Economic Section in Algiers, in 1966. That's the one assignment that I actively went out and sought and obtained, and is probably the worst job I ever had.

Q: There is a theory in the Department: Don't ask for something—you might get it.

ELY: Well, I did ask, and I got it, and it turned out to be a disaster.

Q: First, before we leave your time dealing with the International Monetary Fund, what was your impression, during this '63 to '66 period, of the value and, you might say, the administration of the International Monetary Fund? What were some of the pressures on it?

ELY: Well, the Fund back in those days had a much clearer mandate than it has now. We were still on something like fixed rates. This meant that countries were supposed to keep their parities essentially pegged, although nominally, to the gold relationship to the dollar. It was also a time where we were getting more deeply into Vietnam, and the dollar as a

reserve currency was coming increasingly under question, where LBJ was trying to fight a war in Vietnam without raising taxes. Inflation was creeping up in the United States, and the collapse of 1970 was being prepared, slowly. And the American administration did not understand very well what was going on. The French were buying gold from us, which put us under pressure. There was a lot of anxiety about the functioning of the international system and the dollar as the centerpiece of it, but not much in the way of consensus on what to do about it.

The State Department E Bureau in those days was quite influential. It was a powerful bureau and had ideas about what might be done. State recognized that the international financial order was under pressure, and that this had profound foreign policy implications, and was looking for some sort of creative international method of getting at this problem. In the end, State was unsuccessful.

The problem was basically Treasury. Treasury should have been doing what State was trying to do, but Treasury was trying to maintain the status quo; that is, to patch up the existing system essentially by exhorting our allies not to rock the boat.

The French were being financially aggressive for essentially political reasons.

Q: What was their motivation, do you think?

ELY: Well, de Gaulle, by this time, was trying to bring down the Anglo-Saxons. He had gotten himself into a psychological, moral set by which he was locked in combat with us for...how should I say, not domination of Europe, that's too simple, to reduce American influence, but particularly to reduce American prominence in Europe. American presence was desirable only up to a certain point. Beyond that, it became inimical to French interests.

The Germans, on the other hand, saw what we were doing and were upset by it. They saw that the kind of policies that were required to keep the dollar as the center of the international financial system were not being followed.

It was about this time that a long ago and now forgotten debate about the special drawing rights to pay for gold took place. SDRs still exist, they're around, but it's such an arcane subject that bankers don't understand it, much less the public. LBJ actually decided, in principle, in the mid-'60s, that he would consent to phasing out the dollar as the centerpiece of the international financial system, and move, over time, to an SDR-based international financial system. That's never happened and nobody talks about that anymore. The whole plan was overwhelmed in 1970 when we went off the gold standard and re-fixed parities, and then went to a floating rate system, which, with some modification, continues today and seems to work better than any alternatives, although it is sometimes criticized as being unstable.

I was not really working on these global international monetary questions myself; I was fussing around with Rwanda and Burundi and Liberia and North Africa and India. Got mixed up in Indian affairs, and I guess there were a couple of us working-level fellows who proclaimed loudly that the emperor had no clothes. Most people familiar with Indian affairs recognized that the Indian rupee was quite severely overvalued. And this was a very potent force in limiting India's export competitiveness and in causing high protective barriers to protect Indian industry and the highly regulated trade and financial system. The rupee was way out of line, and India was absorbing 20 percent of the world aid in those days and following inappropriate policies. And it was not surprising that not much development was happening in India. We blew the whistle on that, and it caused a subdued scandal.

Q: I'm looking at systems, and India, more or less, has had fairly politically potent ambassadors, on our part. Usually, a politically potent ambassador doesn't want you to mess around with a country and tell them to...

ELY: And in those days, ...

Q: Yes, you tell a country they better shape up or something like that. Do you feel that had anything to do with it, at the time you were dealing with it?

ELY: Actually, I never got to the point where I was sending telegrams to the ambassador. I did talk to the people at the Fund, particularly to Bill Dale, who was the deputy managing director, and I talked to the people at AID. Ernest Stern, who has since gone to the World Bank, was the AID director for South Asia. Stern was a very tough, capable guy, and I think he knew all along what was going on, but he didn't want his life complicated by having to take on the Indians and tell them that our aid program was contingent on their revaluing the rupee, which would be very much like the Japanese saying that their purchase of American bonds was contingent on our balancing the budget. It might be a good idea, but it's not the way things get done.

Q: Where were decisions made on aid to India, for example?

ELY: I never was able to find out.

Q: Such is the policy process.

ELY: It was not transparent at all.

For Africa, it was considerably more transparent, because you had this business of the State desk officers lining up for their clients, and AID not wanting to get burned with doing too bad projects.

I remember when they were going to build the third sewer system for Monrovia.

Q: Did you act as sort of the referee? I'm not talking about you particularly, but...

ELY: Well, yes, I ended up often sort of causing problems for both sides. I remember two particular projects.

I was sitting on something called the Development Assistance Staff Committee, which was a statutory committee of the assistant secretary of state for economic affairs, and some other people, who had to look at all AID projects over $5 million. And a sewer system for Monrovia came up. It turned out this was the third one we'd financed. We'd financed a sewer system, which fell into disrepair and collapsed, and so we'd built another one, and that one again fell into disrepair, and now we were going to build a third one. And I said, “You know, this is not aid, this is maintenance. If you're going to do this, you've got to take steps to make sure that the Liberians charge money, and the money is made available in such a way it's not diverted, and goes to the maintenance of the sewage system. Either that or the sewage system is going to be a net burden on the economy, or it's going to collapse and have to be rebuilt again, and we'll have no development rationale.” And the State desk officer as much as called me a traitor for having blocked this project, which was the only thing they had in the pipeline.

Then another case in which, as I recollect, I led the charge was the project to build a railroad from Iran to Turkey for CENTO.

Q: CENTO was a pact we had in those days.

ELY: That's right, the Central Treaty Organization. CENTO needed some sort of political symbolism, because the members were a disparate bunch, and it was decided that, for strategic and symbolic reasons, we would build a railroad from Tehran to central Turkey, where we would hook up to the Turkish railroad system. This would go across 800 miles of desert, or barren area, and they would ferry the thing for 80 miles on a lake, so they

wouldn't have to build the tracks. This was a couple of hundred miles from the border of the Soviet Union, so it could be taken out in ten minutes. And it was going to cost several hundreds of millions of dollars.

We looked for economic justification, and were told, well, they hoped that this railroad would, as many railroads have done in the past, generate a lot of hitherto unsuspected commerce and trade in the area, and would probably work out, and even if it didn't, it wouldn't be all that bad.

And my feeling was, okay, you can build this thing if you want, but don't call it development assistance, because it's not.

And so the staff committee bounced it, and it went up to Dave Bell, the AID administrator, and he laughed and said, “They're right, you know. Let's put it on the back burner. If we want to build it out of our quasi-military assistance funds, we can decide whether it has enough priority to do it. But, yes, they are correct, we shouldn't do this as an AID project, because it's not an AID project.”

This filled me with a certain amount of self-righteous satisfaction, although, as I say, all this stuff was on the margin. We were doing a lot of silly things around the world in those days, and I merely happened to latch on to some of the sillier ones.

Q: How about in North Africa, because you were going to end up in Algeria soon, what were we doing in North Africa, the sort of things that you were looking at?

ELY: We were covering Tunisia with AID projects—we and everybody else. If you go to Tunisia, you'll see that the country is covered with clothes factories and agricultural institutes and teacher-training institutions that grateful aid donors have given to reward the Tunisians for their moderating, intermediary position in Arab affairs. I noticed that all these projects were marginal. None of them looked very good.

Algeria, however, was different. I'd been in Paris when the Algerian war was going on, and, indeed, when the generals had tried to mount a coup against de Gaulle, with paratroops flying up from Algiers. The Algerian government that emerged under Ben Bella was populist, radical, traumatized, and looking for friends. Ben Bella was very difficult to deal with; he was authoritarian and arbitrary, but he wanted to have good relations with the United States. And we started to put in an AID program.

During the war, we had actually picked up a number of young Algerians in Tunisia and sent them to the United States to study petroleum engineering. This was the smartest thing we ever did. We spent less than half-a-million dollars on that program, and it has changed the country. The present prime minister is one of those Texas boys, and a lot of them came back with Texan wives. They had a hard time, but it did inject a sensible American presence into the elite there, which was very much a French colony.

About the time, however, that my assignment got firmed up, Ben Bella was thrown out and the gloomy, gritty colonel, Houari Boumedienne, came in. And Boumedienne was very suspicious of the Americans. Vietnam was getting bigger and bigger. The Revolutionary Council looked at us and they came to the conclusion that the American action was not compatible with Algerian revolution, and that after we'd won in Vietnam, we'd knock off Algeria. They saw the Sixth Fleet in the Mediterranean as essentially aimed at Algeria. They were really self-centered paranoiacs.

Q: Well, I think you could almost point to every country in the Mediterranean and...

ELY: Right. “Those guys are out to get all of us.”

And the budding relationship was suddenly turned around. The AID director left, I took over the AID section, and we decided we would cut back the PL 480, a little bit of technical assistance. We were hardening the terms of the PL 480, and the Algerians couldn't accept

that. They didn't really believe that this was in response to congressional pressures and reduced availabilities.

Meanwhile, our telephones were tapped, our servants were suborned and interrogated, we were watched all the time. The East Germans were giving instructions to the Algerian secret police.

Q: The East Germans apparently had one of the most effective training programs of anybody in the world. It still lasts today, of training local interior surveillance techniques.

ELY: Tough, cold, ruthless, merciless. They were also trying to recruit our secretaries and communications people. They were luring people into black-market deals. It was a real mess.

Meanwhile, you felt distinctly unwelcome there. You were lied to in the Foreign Ministry. You had to get permission to go out of the capital. You couldn't get in to see people. It was not a pleasant tour.

Q: I've heard that the Algerians, as a group, are a pretty dour group. They're not the volatile but interesting Arab, at least that's my impression.

ELY: No, the Turks subdued them in a very economical and authoritarian colonial iron rule. And then the French came in and humiliated them further. The French colonial experience there, quite unlike the French colonial experience of Black Africa, which was fairly liberal, humane and decent, was quite incompatible with the French idealism of liberty, fraternity, and equality. The Algerians, already a gloomy people, learned to hate the French. Bloody civil war broke out. A million Algerians died, most of them of disease. The French used torture. The Algerians used terrorism. The moderate Algerians were all killed off by the extreme Algerians. The French moderates themselves were attacked and assassinated by the French military extremists. It was a very bad period.

Meanwhile, the French, and de Gaulle in particular, were hanging the mantle of imperialism on the shoulders of the Americans. “See, we want to help you, but these Americans, ha ha, they're out to get you! Look at what's going on in Vietnam.”

Q: Well, Vietnam could be related, but it's pretty dubious logic. But at the same time, there's this hatred of the French. You had de Gaulle, who was trying in every way possible to create a chasm between the United States and any other country. I would have thought that logic would have said...

ELY: He took the weight of imperialism off his shoulders and stuck it on ours.

Q: But I would have thought that the hatred of the French would have made us a much more attractive area to deal with.

ELY: Well, it could have. Washington was of two views about the Algerians.

One was that, okay, these people are tough, they've had a hard time, we've got to be tolerant and work with them, “petite crisp de jeunesse,” traumatized, we've got to get to know each other. We could put in an AID program there and keep it going and help feed the children and the hungry people—food for work, and reforestation.

The other deal was that, you know, these people are tough, violent, Marxists, anti-American, anti-capitalist. They have their party ideologues who are professionally anti-American. And, you know, we're basically wasting our time there. We're never going to get anywhere. We shouldn't be trying; it's humiliating and counterproductive.

And the Embassy got caught between these two schools. And so you could never get clear instructions from Washington, because there was no clear policy.

I negotiated, at great difficulty, with my one Algerian friend, who ran the Economic Section in the Foreign Ministry... He's now the secretary general of IFAD (International Fund for

Agricultural Development) in Rome, a multibillion dollar assistance agency. We finally negotiated a $28 million PL 480 program.

Q: PL 480 is wheat, isn't it?

ELY: Mainly wheat and a few other things, some oil. And just as we were about to sign it, an American, married to a Frenchwoman (he had been a G.I. in North Africa and married a local girl and settled down), staggered into the embassy in Paris, saying that the Algerians had confiscated his farm without compensation, and if he didn't get it back, he was going to kill himself. Now we had, and still have, a prohibition against giving aid to countries that confiscate property of Americans.

Q: The Hickenlooper Amendment, wasn't it?

ELY: The Hickenlooper Amendment, exactly. So Algeria was in technical violation of the Hickenlooper Amendment. And I was told to go in and tell the Algerians that they had to give this guy his farm back.

Q: Or compensation.

ELY: Well, the Algerians had billions and billions of dollars' worth of French claims that they had not settled and were not going to settle for quite a while, and to settle with the Americans before they took on the French was something they were never going to do.

So the whole thing, as they say, fell into the water, and the loan was withdrawn. Relations, already bad, descended to the iciest, most distant level.

And then came the June war in '67.

Q: This was between Israel and...

ELY: Egypt. And the Arab world broke off relations with the United States. The Algerians called in our ambassador, and, in a rather friendly way, said, “Okay, you know, everybody's doing it, we're going to do it, too. Can you leave in two weeks? No hard feelings.” So we arranged to leave in two weeks. Ten days later, after Americans were out of all the other Arab countries, they came in and said, “By the way, we made a mistake. We can't control the mobs. You've got to get out in 48 hours.” This was essentially for their own political purposes. They orchestrated a couple of demonstrations in front of the embassy. And so we brought in a plane and evacuated everybody.

A few of us stayed on. I stayed on as the economic guy. Five of us as the American interest section of the Swiss Embassy, where I stayed for the next six months, and then was direct-transferred to Mogadishu to fill a vacancy there.

Now Mogadishu. The GNP of Mogadishu was considerably less than the oil production of Algeria. It was a much smaller place and far behind.

Q: Before we get there, just a couple of things. While you were in Algeria, did you find that the Soviets were really imbedded, or was this a marriage of convenience and it wasn't taking very well?

ELY: The Soviets were trying very hard to become imbedded. They equipped the army and set up a training program of taking people back to the Soviet Union. They brought in industrial advisors and tried to get the Algerians (who were very statist people and wanted to run everything themselves from the top) to follow Russian quantitative methods in their economic planning.

The Algerians that I knew, the intellectuals, were contemptuous of the Russians. First of all, their agricultural equipment was no good, nowhere nearly as good as the French or the American. The amount of planning required was ridiculous and not feasible.

The French were influential. The French brought down advisors. This whole statist approach was more agreeable, more natural to them, than to us. We kept saying, why don't you do something about the private sector? They had no intention of doing anything about the private sector. And only now are they doing anything about the private sector. It's taken them a full generation to decide that they were going down the wrong road. And, indeed, they destroyed their agriculture. You could see it at the time.

But the Algerians were running in circles, and Algiers was a very depressing city. Unemployed everywhere. Revolutionary rhetoric, but nothing happened. The government was building steel mills that they didn't need, building heavy industry it didn't need of all kinds, wanted to have an automobile plant. Imprisoning foreigners for real or imagined tax evasion. They would hold them in jail for a couple of weeks, then let them go. There was no real violence or cruelty, on the one hand, but a continuing menace that was held over everybody. When we finally evacuated and had to leave the country, the Algerians searched all the luggage of the departing diplomats. They also were obsessed by the fact that some Americans had firearms; some Americans had brought in their .22s and shotguns and all. I had myself, and we used to go hunting for snipe. But for the Algerians, this was very, very menacing, an indication that the Americans were up to no good at all.

So it was a really unpleasant tour and I accomplished nothing there.

Q: One last question. Most of the time you were there, John Jernegan was the ambassador. He's sort of an old Middle East hand and all. What was his method of operation, and how did you evaluate him?

ELY: Well, Jernegan is a patient man and wise, tolerant and unexcitable. He didn't speak Arabic. He used quiet diplomacy, being friendly, not taking offense at things, letting the Algerians talk, and listening to them.

He made one mistake when he was talking to Bouteflika, the fiery, young, militant, very ambitious, left-wing, foreign minister. When Bouteflika told Ambassador Jernegan that diplomatic relations were, indeed, being broken, and, oh, at this time, instead of having two weeks, he had to leave in 48 hours, Jernegan said, “Vous n'#tes pas s#rieux?!” Which he meant as, “You're not serious?!” But in French it means something else; it means, “You're joking.” And Bouteflika hit the ceiling. It was sort of like saying, “Oh, come on, get off it.” And Ambassador Jernegan said, “Oops, that was the wrong thing to say.”

I said, “You know, I don't think that he understood what you meant. That's not how you say, 'You're not serious.'”

He said, “Oh, that's right.”

I think the Algerians liked Jernegan as much as they could like any American at that particular time, when nobody would acknowledge liking anything about the American government. And yet you could feel yearning among the Algerians for a better society. And they could see that the United States, in some respects, was a better society, even though the French told them that the United States had a bad political system, capitalism was unfair, and there was a lot of racism in the United States, and inequality and corruption. This came regularly through French sources. The Algerians picked up on this so eagerly that you knew that they were looking for something to withstand the natural attraction they had for free society in the United States.

Q: Did you find that the French had developed, despite the bloodletting of the Algerian war, the same sort of intellectual caste that is still in France, which is so powerful?

ELY: Well, the French left and intellectuals had always disapproved of the war, and they claimed legitimacy in having understood and sympathized with the Algerians. And they continually played that card. Many of the young Socialists who are now in power in Paris were conscientious objectors. Either they were conscientious objectors before the war, or

they went to Algeria and this turned them into pacifists. It was a dirty war. They saw the torture, the violence, the escalating hostility and hatred, and wanted to have nothing to do with it. So the French intellectuals have always had a soft spot for Algerian independence, and feel, in some unacknowledged way, responsible for what the Algerians do.

So when the FLN Party called off the elections six weeks ago, because the party, which is sort of like the Russian Communist Party, discredited and ineffective...

Q: We're talking about 1992 now.

ELY: Yes. They canceled the elections because they thought the Muslim fundamentalists were going to win. This caused heartburn among French intellectuals. Here's the democratic, liberal, educated Algerian elite refusing to apply democratic processes when it appears they're going to lose.

There's another argument, too, that the fundamentalists would then destroy the democratic framework of the elections if you let them win, so you're justified, in the name of democracy, in canceling the elections. I don't know how strong that argument is.

Q: What was the situation in Somalia? You were there from '67 to '69.

ELY: Yes, early '68 to mid-'69. Somalia was still a nominal democracy; there was a parliament and a president. The Russians were arming the army, and we and the Germans were working with the police, giving them light arms, light planes, and communications, and resisting calls that they be turned into an opposition force.

Ray Thurston was the ambassador. Thurston was an old European pro. He'd been ambassador in Haiti although he missed out on something in Eastern Europe by going there. Thurston, with, I would say, amused sympathy and irony, saw the deterioration of the Somali political process. I left there at the end of summer in '69, and the military coup d'etat took place a couple of months later. The quality of the embassy wasn't very much. I

didn't get on well with the DCM, who was heavy and unimaginative. The Political Section was weak. I considered myself a high-powered macroeconomist with a lot of financial background. This was kindergarten.

Q: I have to add that, during this time, for just about a year, I was INR desk officer for the Horn of Africa, in '67-68. And my feeling, although I really didn't know the area, just the job, was that here's a country that you could buy. If you really wanted it, you could buy it, the only fly in the ointment being the fact that the Ethiopians would get mad at us if we did.

ELY: Yes, I often used to come up with the idea that we ought to get a consortium of eight bidders together and buy the country, instead of renting it, and then go on the gold standard and do away with central banks and all this sort of thing. Just set up a legal system and let people come and go as they wanted, and not fool around with institution-building and all this other stuff. The Somalis are very intelligent people.

Q: Beautiful people, too.

ELY: Well, they're intelligent, they're handsome, they're also very difficult to deal with, very self-reliant, speak all languages, adapt to anything. But the country had almost no institutions, and the police, the army, and the central bank were the only institutions that functioned. And it was always very hard to get American diplomats to go there; Foreign Service Officers resisted. When I got there, it really was the end of the world. There was one flight a week in from Italy, and that was it. They had broken off relations with Kenya, so there were no flights there. And you didn't get any visitors. But it wasn't all that bad. You were left alone. If your health was okay, you could enjoy it there. I shot a lot of birds and enjoyed that. Did a lot of swimming. Served out my time. Didn't have a lot to do.

Q: What do you do? Here you've had all this training and you've been dealing in the rather complex world of economics and all this, and all of a sudden you're sort of put almost into, I won't say the bush, it's probably better saying into the sands and all.

ELY: Well, I felt I'd been kind of shanghaied. I had; they owed the ambassador something, so they offered me up to please him. I served out my time there and did the best I could. As I say, I didn't get along very well with the DCM, who was heavy and unsympathetic, and I didn't think much of the work. But, you know, you've got to soldier on. You're sent there, so you do your best. You don't decide that the work is beneath you. You do what you can. So I did.

Q: Did you find that everything we were doing in Somalia (I'm talking about the embassy as a whole, but obviously it's a small one, so you were picking up what was happening) was predicated on not upsetting the Ethiopians, which again was predicated on keeping Cagnew Station and Asmara open?

ELY: Well, yes. Our policies in Somalia were conditioned by our closer relationship with Ethiopia. And this put us in a delicate position, because there has been a longstanding boundary dispute between Somalia and Ethiopia over the Ogaden that goes back to the end of the last century, when the first boundaries were laid out by the British. The Addis Ababa regime was fairly unsavory. They would send tax-collecting expeditions, which were essentially punitive expeditions where they'd go out and grab all the livestock they could, and maybe some of the women. Resistance would lead to villages being burned and people being shot, which led to the Somalis arming guerrillas and low-level conflict continually on the border, going up and down. There was no end to that one, and there still is no end. Somalia, of course, has collapsed into civil war and chaos. The two cities of Hargeysa and Mogadishu have been destroyed. The central government has been wiped out, and it is now being disputed over by rival clans, armed to the teeth, who fight private wars against each other.

Q: What was our feeling towards the Soviet presence in Somalia in those days?

ELY: In those days, the Soviets were backing the Somalis against the Ethiopians, and we were backing the Ethiopians against the Somalis. But we had a sea anchor in Mogadishu

to keep the Somalis calmed down, and the Russians had a mission in Addis Ababa to follow what was going on there and keep in touch with the Ethiopians. After the military coup, then there was a good deal of switching of sides back and forth.

Q: The damnedest thing.

ELY: And the end result has been disastrous for both Ethiopia and Somalia. Although outside powers should not be expected to be altruistic and philosophical in their approach to these backward countries, we can take no pride in what we did. We were driven by what the Russians did. And the Russians were being very aggressive. They put in some sort of naval installation in Berbera. They wanted to turn Somalia into a Marxist state.

Q: Okay, the Soviets were doing this, and our policy was, if they're doing this, we've got to back the other side. But did you ever sit down and figure out what good this was going to do the Soviets, and think maybe we should just let this thing go? Or were we reactive?

ELY: Well, I often thought about, you know, did it really make any difference what happened there. You have a general humanitarian reaction: Well, okay, this is a very poor, backward country, they want to modernize (at least some do), and we really should help them do it. We can bring them the things that they need, in terms of financial institutions and skills, doctors and legal assistants et cetera. And, yes, we're under some moral obligation to assist people who wish to modernize.

On the other hand, assisting Somalia has always been very difficult. The Peace Corps had a terrible time there. They managed to stay there for a while, but it was the most difficult Peace Corps assignment that they had.

Q: Why was it?

ELY: The Somalis are very independent-minded people, and you can't tell them anything. The Peace Corps never would go into secondary-school teaching, because once a Somali

has a secondary-school education, he considers that he ought to be instructing you. So the Peace Corps stayed with housing and teaching English. They had a fairly significant failure rate, but they also did quite a good job.

Reacting to the Soviet Union...yes, we did it, and there was recognition that we did have a reactive policy. And we were searching for other instruments, other ways of doing business. After the emperor fell, we tried very hard to provide incentives to the successor regime to continue its contacts with the United States and to modernize and to build institutions. In a country that was composed of a mosaic of tribal affiliations, where Eritrea had been in revolt for many years, the danger appeared to be that Ethiopia would split into different countries, different mini-states. Washington was and still is deeply concerned about the split-up of countries in Africa because of the prospect of endless strife, both border disputes and rivalries.

Africa is a difficult place to live and work, and after I'd done Algeria and Somalia, I was glad to be quit of it.

Q: You left, then, in '69. Where did you go?

ELY: Canadian National Defense College.

Q: Today is July 17, 1992, and this is a continuing interview with Michael E. C. Ely. Mike, on our last tape, we were talking about your time in Paris from '59 to '62 as the financial/ economic officer. And there were two things thing that I found where the tape had jammed. So if you don't mind, we'll go over them again. One was, you mentioned an episode where you were briefing US educators before they were going to French Africa. Could you tell me what transpired on this?

ELY: Yes, well, this was one of the first missions to Francophone Africa after independence in 1960. A group of AID educators was going off on a survey of the area to see what kind of education programs they wanted to put in. I told the Ministry of

Cooperation about these people and asked if anybody had anything to say to them. I was referred to the director general of cultural programs in the Ministry of Cooperation, who turned out to be a very senior official from the Ministry of Education who spoke perfect English. And I took these bureaucrats over to see this fine, distinguished, highly educated and intelligent French civil servant, who proceeded to fillet them alive. And he did it so skillfully, they didn't even notice. It was almost a parody. He said, “Well, you know, we've been in this area for a long time, we've worked very hard, we've tried to give the people there a knowledge of French culture and language. This has been a long-term and difficult assignment. We're proud of the job that we've done. And I hope you'll keep this in mind, because really they don't need more languages, they need to learn one language. And the language they need to know is French. If you start competing programs, this is going to cause confusion, and it could cause friction and misunderstanding. So we hope and advise prudence and caution on your part.”

So we walked out, and the people said, “Wasn't he nice!”

I said, “Well, he wasn't being nice. There was nothing nice at all about that. He was saying, 'Stay out. We don't want you.'”

He'd also said, “You know, this is Africa entering the Cold War. And we've noticed that where you go, the Russians go, and the other way around. And the last thing we need is to have this area turned into an area of rivalry. Soviet-American rivalry would cause all kinds of problems for them, for you, for us, for the Africans. So keep this in mind,” which, in effect, meant, Would you kindly stay out.

Q: Looking at it from an American policy point of view, it sounds like the man was making two very valid points at that time, which was '59 to '62. One was that if the French were putting a big effort there, what was our business trying to move them to the English thing? And the other one was, I'm not sure but whether there wasn't some correctness in the idea

that the Soviets and Americans sort of followed each other around like snarling cats or something, in different parts of Africa.

ELY: Well, yes. The French motivation was quite complex. We started off when John Gunther Dean parachuted into Bamako. He was the first person to open a mission there. He got there a couple of days after independence. This was very macho behavior on our part, and this was highly regarded. This was the Kennedy era, and this was considered a really aggressive, straight-forward, patriotic, American staking out of territory. And Mali, after Guinea, was the most leftist and militant of the former French colonies.

The French also were worried that our presence there would dilute their influence. They would say, quietly and aside, “Well, look, we have a lot of domestic political support for our programs in Africa now. It's selective. It's trading companies with some political parties and its ministries. If you guys muck around too much, you're going to undermine that support, and you're going to make it harder for us to keep a presence there, a presence that is favorable for Western interests in general, and yours in particular.” This turned out to be a slightly disingenuous argument. French policy toward those areas was being run out of the #lys#e Palace by de Gaulle and his people, and not by the flour millers in Bordeaux and the people that were selling surplus French butter and things of that nature to the Africans.

Also, the French had been practicing a kind of regional policy. They had a single currency for West Africa, for Equatorial Africa, and for Madagascar. This was linked to the French franc through a special account in the French treasury. And the operation of this mechanism prevented the kind of catastrophic inflation and overvaluation of currencies that you got in Ghana and in Nigeria, and kept the countries of Francophone Africa in some sort of a loose economic confederation—they could always trade with each other, and it promoted economic stability and perhaps some political stability in the area as well.

The French were worried about this system, as well they should have, because if you looked at it very closely, you could make an argument that it tied the Africans very closely

to France with a mechanism that virtually ensured that their currencies were overvalued. And when they had an overvalued currency, it made it very difficult for them to diversify their outside contacts.

But the judgement was made in Washington that the advantages outweighed the disadvantages. And I think this was correct. In point of fact, Africa's gone its own way, and neither the French nor us have been able to do a great deal affecting its destiny. The Africans are going to have to do that. They have understood that point now, and they're trying themselves to decide what they want to do. The continent is in very bad condition, partly bad luck, partly Africa.

Q: There was another account that you gave that we missed the last time because of a tape problem. Could you tell me your impression at this time of how you dealt with and the importance of the French intellectuals. One always hears of the French intellectuals, which in no other country seem to play a role. But there always seems to be this group that is pronouncing judgment, usually derogatory, on the United States. How did you work with and assess the importance of the French intellectual at that time?

ELY: Well, intellectuals in France have a much different role than they have in the United States, for a whole series of reasons. I once read an account of someone who overheard some disgruntled workers saying, “Let's go get Jean-Paul Sartre and organize a demonstration and march on city hall.” The workers and the intellectuals tended to recognize each other. Intellectuals are admired in France. They tend to be literary people, skillful in language.

In those days, and even now in some respects, to a man, they're of the left. In recent years, for various reasons support for Marxism among the French left has diminished, but there's still a residual anti-American flavor that you can find very clearly in Le Monde Diplomatique. If you read that every month, you'll see there's not an article in there that is

anything but critical and hostile to the United States. It is written by certified, old-fashioned intellectuals.

The intellectuals have two or three quarrels with the United States.

One is that it's the land of capitalism. First, you defeat fascism, as happened in the Second World War, then you go on and defeat capitalism, as embodied in the Great Satan United States, with its manipulated voting populations, its powerful corporations that dominate the political process, its manipulated media, its exploitative advertising, its crass, materialist values.

In addition to being a crassly materialist capitalist country, the United States is disorderly. It has no common culture. In fact, it has no culture at all.

It is excessively pluralistic, too rough and tumble, nobody is in charge. It's a government not of people or principles, but of laws, and the laws are a facade, and the hollow protections of the US Constitution are a mockery. Basically, Americans lynch blacks, they have race prejudice, they have a repressive society, unfair and unjust.

This was, in the '60s, a virtually unanimous verdict of the French left and the intellectuals, shared, incidentally, by the far right. The far right also found American society populist, untidy, materialistic, dangerously and unpleasantly popular and democratic.

So the far left and the far right, really almost a hundred percent, felt that the United States was a very bad country, full of bad people, and a source of most of the world's ills. As an American, I found this very hard to swallow.

The left talked about exploitation, prejudice, and repression, and the right talked about worshiping the almighty dollar. And both liked to depict Americans as ignorant, materialistic, greedy, selfish, bombastic, obsessed with violence, and quite prepared to

carry the Cold War to a pitch that would be dangerous for the entire world. In other words, the Americans would have blown us all up.

Q: How did they see the Soviets?

ELY: The French saw the Soviets as the people who had won the Second World War. We were late in, and we and the British had conspired to turn the force of Hitler's armies on the Russians. After the Russians had blooded the German war machine, the Americans landed late in the war and claimed the victory. The Communist left and the Gaullist left also said that it wasn't the Americans that liberated France, it was the Free French and the unions and the Communists. The Americans came along later while this was all happening and consolidated the victory. Michel Debr#, in 1964, managed to make a speech celebrating the 20th anniversary of D-Day without mentioning the United States. Astounding!

Q: These people were important, weren't they, even in the Gaullist government, as always there? How did you, on your part, and others in the embassy deal with these people? Sounds like they were people who weren't going to be tamed by words or deeds or anything else.

ELY: It was difficult. The universities were a hundred percent Marxist in those days, and USIA had to deal with those folks. In the government ministries, by and large, the people that I dealt with were sympathetic; they were friendly enough. Some of them were quite nationalistic and didn't like the United States, but they always treated me reasonably well. There was some tendency to condescension, but that's because these people were inspecteurs des finances, the elite of the elite of the elite, powerful and protected. And here I was, a foreigner not speaking perfect French, trying to deal with them on subjects in which they were masters. So there was some tendency to condescend, but by and large, I was well treated.

De Gaulle did purge all American elements out of the Foreign Ministry. People who were known to be pro-American were either sent off to obscure consulates, summarily retired, or given undesirable assignments of some sort so they would retire, and only people of known nationalist or Gaullist persuasion could be advanced to high ranks. So the ambassador and senior people in the embassy were always dealing with unpleasant people. Couve de Murville, while not a civil servant, was a foreign minister. Couve was an extremely unpleasant man, cold, icy, formal and uncooperative. And his deputies and senior people tended to take their cue from him. So, at the highest level, you seldom got a friendly hearing.

On the other side, however, the French would frequently take you aside and say, “Look, you know, this is temporary. We're your friends. We understand. These things will pass. Our countries have so much in common. Never forget that, deep down, we are with you. When the time comes and we have to be counted, we'll be on your side.”

And even de Gaulle would say that sometimes, too. I guess he was sincere, at least he was when he was rational. Toward the end, he became almost irrationally anti-American.

Q: You left Paris in 1962 and took an economic training course.

ELY: Yes, I spent a year at Harvard.

Q: How did you find that? Here you'd been, in the high world of finance, in Paris, dealing with the matter, and then to come back to the academic world, did it reflect reality?

ELY: I loved Harvard. I lived a foot off the ground there. I had a very ambitious course of study, worked hard, had very good professors and a very stimulating time. And I felt that I was acquiring sources and tools that I really should have had before I went to Paris. I was able to function satisfactorily without them, but I would have functioned even better with them. And I thought I was picking up what I needed to become professionally effective. It's turned out to be true. I learned a lot in that one year. It was fairly difficult to pick up and

go up there for one year, find a place to live, put your kids in school, and commute from Marblehead. But I did it, and by and large, I loved the whole thing. We had a very good year.

Q: Well, you came back to the Department of State, where you worked in the Economic Bureau from '63 to '66. What were you doing?

ELY: I was doing international finance, basically working with the International Monetary Fund on problems of developing countries. I also worked with AID on some of the stabilization programs for countries in Africa. I went to Belgium three times and to Central Africa twice for AID on financial missions concerning Rwanda and Burundi. I also worked with the IMF on stabilization programs for a number of other countries, and did some of the early work on debt policy—what to do with countries who got themselves excessively indebted and could not service their governmental or private borrowing. This was a new phenomenon, at least for Africa, and we didn't really know how to handle it. Since then, there's been a great deal of practice and theory built up, which is continuing to evolve. For example, what to do about the Soviet debt. These were the early days, and it was quite an interesting series of problems. I enjoyed the international financial work.

In those days, State and Treasury worked much more closely than they do now. State Department officers were seconded to Treasury, and Treasury representatives, in our six or seven big embassies, were closely integrated into the operation of the Economic Section. In Paris, for example, the Treasury rep. was the number-two man in the section, and when the economic minister wasn't there, he was in charge, and so he was in charge of State Department people. That is no longer the case, there or anywhere else. Now, the Treasury people tend to run their own shop and report back to Treasury and not pay much attention to the embassy.

Q: How did you find AID on the financial side? How well were they staffed in Washington and able to deal with the problem?

ELY: Well, AID has always had problems handling financial questions. For example, India, where we were putting in a lot of aid, had an overvalued currency that was stifling its exports, which also made it necessary to have all kinds of import controls for balance-of-payments programs. Well, golly, you know, giving aid to a country with an overvalued exchange rate is a very expensive business. And we did it, we gave hundreds and hundreds of millions of dollars. And I complained about it to AID and didn't get anywhere. They kind of understood my argument, but they didn't dare (and I think probably rightly) go to the Indians and say, “By the way, we've decided we have another condition for our aid program. We want you to take the rupee down 20 percent.” The Indians would not have taken that advice, but somebody had to say it.

I served on the Development Loan Advisory Committee, the Staff Committee, which looked at all AID loans over $5 million. And, as a busy little technocrat, I shot several down, saying that these loans weren't any good. This got me in trouble with some of the regional bureaus where the loans were supposed to be going.

They wanted to build a railroad from Ankara to Tehran, to give substance to the Southeast Asia Treaty Organization. This railroad was going to go through hundreds and hundreds of miles of arid desert...

Q: Really, I can't think of a more nothing area there.

ELY: It was being built for political reasons. I looked at this and I said, “Well, fellows, you can do anything you want, but don't do this out of development assistance money, because it's not a development project. It's a political showcase.” People were very upset. They were asking, “Who do you think you are?” Here I was, a middle-grade officer from the Economic Bureau. NEA was very upset, and so was AID.

Similarly, in Monrovia we were going to finance a third sewer system. We'd been putting in sewer systems every ten or 15 years. We'd put in a sewer system, and it would break

down in ten years and have to be replaced. There was never any maintenance, and it would deteriorate, and we'd finance another one. I said, “You know, I just don't think we better do this sort of thing. You can put one in, but if you do, you're going to have to do it in such a way that provision is made in the loan agreement that the system be maintained, so we can stop throwing sewer systems at them every decade or so.”

This got the African Bureau quite upset. They said, “That's the only project we've got in the pipeline.”

I said, “Fellows, I'm sorry.”

Q: Well, tell me. Here you were, in the Economic Bureau, doing this. Who was in charge of the Economic Bureau, and how well were you backed up there?

ELY: I think I was viewed with amused tolerance in the Bureau, because they knew that in the end these things had a large political content and they could not be judged strictly on their technical merits. On the other hand, they liked sticking a spoke in people's wheels from time to time, particularly when it was well done. I think I usually was, from a substantive standpoint, correct.

Q: What happened to the Ankara-Tehran railway?

ELY: Well, that one went up to Dave Bell, the administrator of AID, and he laughed and said, “Okay, he's right. If you're going to do it, do it out of the security money.” They set aside a little money for the project, but it never got started. About that time, SEATO started coming unraveled. It probably came unraveled because they didn't build the railway; it might have been the link that held them all together...

So, anyhow, these were famous young days for me. I enjoyed the whole thing.

Q: Well, then, you got your, what, comeuppance by being sent to Algeria?

ELY: No, I'd asked for that. That was one of the few assignments I ever really set out to get.

Q: You went there in '66 and served until '67.

ELY: Right. They became independent in '62, and Ben Bella was the first president. Ben Bella was an autocrat, but he, in some respects, wanted to be friends with the United States, so we had an AID mission there. We were doing some reforestation and some food-for-work, had some PL 480 money going in. We had some agricultural projects. And it looked as if we were going to get into a long-term aid relationship with the Algerians, which would have been very healthy for them.

But we had some problems. The Vietnam War was really heating up by that time. A second was Boumedienne and the revolutionary coup against Ben Bella and his people. Boumedienne was a tough Berber colonel from the hills. He was a fighter and an ideologue. And he and the Revolutionary Council quickly came to the conclusion that Vietnam was number one and Algeria was number two; as soon as we polished off the forces of revolution in Vietnam, do the same thing in Algeria. And at about the time I got there, relations between the United States and Algeria began to deteriorate.

That was the most unhappy assignment I've ever had. Our telephone lines were tapped, our household staffs were suborned, we were under travel restrictions, we were under import restrictions. The East German secret police were following us around. In the ministries, we were made to wait long periods and then systematically lied to. American oil companies there were harassed and eventually nationalized.

I negotiated a PL 480 agreement. A very painful negotiation. The chief of economic affairs in the Foreign Ministry was a friend of mine; we'd been at Harvard together. So we, by winks and nods, managed to get this through our suspicious superiors, each of which thought the other side was trying to screw it. We managed to put the thing together, and

just as we were signing it, an American married to a French woman from Oran went into the embassy in Paris and said, unless he was given back his confiscated properties, he was going to kill himself. So the whole thing got hung up on whatever the amendment was.

Q: Hickenlooper.

ELY: The Hickenlooper Amendment, because this was, technically speaking, American property. So when that loan was canceled, that was sort of the end of the American aid program. We continued to support some voluntary agencies.

Then came the June war. I was in France on R&R.

Q: This was the war between Israel and Egypt.

ELY: That's right, and everybody broke relations.

Q: Yes, all the Arab countries broke relations.

ELY: The Algerians called us in and said, “Well, you know, everybody's breaking relations, so we're breaking relations, too. No hurry, but we'd like it if you were out in a couple of weeks.”

We said, “All right, we understand.”

Then, about a week later, Bouteflika called in the ambassador. I went along with him. And he said, “You know, we can't hold down popular opinion. You've got to get everybody out in 48 hours,” which was trumped up. They were just looking bad to their Arab brothers because they weren't being as intransigent as the Iraqis. So we chartered an airplane and flew everybody out.

I stayed on with the American interest section in the Swiss Embassy, but we were unable to have any contacts with the Algerians. We didn't do anything. I disposed of a couple

million dollars' worth of AID equipment; actually gave it to the voluntary agencies. And did some impressionistic reporting. Worked with the chief of station on booking of aircraft and ship dispositions.

And was then direct-transferred to Mogadishu, where they'd been trying to get somebody to run the Economic Section for Ambassador Ray Thurston, who was very annoyed about who the Personnel people had been providing him. So I was sent there, and, to my surprise, I found that the GNP of Somalia was less than the monthly oil production of Algeria. It was a very small place. There was an AID program there. I'd run the AID program in Algeria. The one in Somalia was smaller, but they had a 30-man staff to run it. I liked the ambassador, didn't like the DCM.

Q: Who was the DCM?

ELY: Hal Joseph. And Joseph was a very solemn, heavy fellow. Thurston was bright and intelligent. There was a scandal that took place when he ended up leaving his wife and marrying an Italian woman who was a language teacher. This eventually, I think, caused him to be recalled and caused his former wife to make a lot of very loud complaints about him, publicly.

Q: This was Thurston's wife?

ELY: Yes. And the Italian divorced his wife and got custody of his child. So it was a messy arrangement. Then the Italian judge who's wife was involved with Thurston, engaged a German woman as a nurse for the eight-year-old daughter, and took her out on a tiger shoot south of Mogadishu, was cleaning his rifle, and shot the nurse dead.

Q: Oh, God.

ELY: It was a strange business.

Q: Oh, yes.

ELY: And my marriage came apart in Somalia. Never really came back again. My wife and I eventually divorced.

Q: Those areas there seem to be very, very difficult on families.

ELY: Yes, the survival rate for marriages was fairly low. The wife of the head of the Political Section ran off with one of the AID guys, and was never seen again. They dug up the garden, couldn't find any remains, couldn't find anything. She'd disappeared.

Q: Good God.

ELY: Foul play was suspected, but never proven.

Q: That reminds me of a joke that was current at one time, about your neighboring country, Kenya: "Are you married, or are you from Kenya?" Apparently, there, it was also very, very difficult on marriages.

ELY: Kenya was a different situation, but there was a lot of drinking and wife-swapping and lechery that took place in the highlands, where a lot of loose British aristocracy went for cheap booze and...

Q: Sort of almost remittance men, in a way. Well, what about the Soviet influence in Somalia in this period?

ELY: It was interesting, very much of a Cold War situation. We, with the assistance of the British and the Germans, were backing the police and its commander, Muhammad Abshire. Abshire had been sent to Princeton for a year on an Eisenhower fellowship. A remarkable guy: incorruptible, intelligent, Westernized, very concerned with his police force—hospitals and housing and pensions. We provided light aircraft, radios. No

weapons. We were afraid of getting caught up in an arms race between the police and the army.

Meanwhile, the Russians came in very heavy-handedly and immediately backed the army; brought in armor, brought in armored personnel carriers, artillery, MiG-21s.

There was Somalia, armed to the teeth, and the country couldn't afford it. The European Community built a hospital which never worked. The Russians built what they called a milk factory, which was essentially a diary and made excellent ice cream. The Russian projects didn't work, and our projects didn't work either. Nothing worked in Somalia.

The nominally democratic system was deteriorating into tribalism and corruption. By the time I left it looked pretty bad. I disagreed with the Political Section, which didn't really seem to think that things were changing all that much. My view was that they were changing rapidly and for the worse. And Soviet influence was rising. When they threw Abshire, the chief of police, into jail on trumped up charges, I figured the end was near. I left in August to go to the Canadian National Defense College, and in October, the military coup took place. The Russian-backed regime of Muhammad Siad took over and immediately went to war with Ethiopia.

Q: At that time, did you feel that, in Somalia, it was sort of the feeling of the embassy that Cagnew Station in Eritrea, in Ethiopia, the fact that we wanted to keep that, everything was predicated on that as far as our policy was concerned in the rivalry between Ethiopia and Somalia?

ELY: I never had much sympathy for Ethiopia. Their idea of governing Ogaden was, every couple of years, to send out troops to collect taxes, which essentially meant sending a military column to rape the women and steal the cattle.

But, on the other hand, the Somalis didn't get along with anybody. They had quarrels with the Kenyans, with the Ethiopians, with Djibouti, they even had some quarrels with Aden. The only neighbor they got along with was the Indian Ocean.

It was hard to see just where truth and justice lay.

And, indeed, we were energetic purveyors of the status quo, which was, I think, probably the only thing we could do. Policy for the Horn of Africa was very complex. It was trying to do different things, complicated by Cold War rivalries, Somali-Ethiopian rivalries and inner factions within both countries.

So it ended up that the very substantial investment of time and treasure and energy that we made in Ethiopia was largely lost. And Somalia has been destroyed as a country; it no longer exists. There are several factions that hold parts of the country. And it will probably never return to what it was. Thousands and thousands of Somalis died, for no good purpose that I can think of. The future of the country is bleak.

I never thought it would end up badly, incidentally. I respected Somalis, and I liked them, in a way. Very intelligent, independent-minded people. And I always thought they had way too much good sense, as nomads, to get themselves involved in bloody and continuing internecine warfare.

Q: I spent five years in Yugoslavia, and this was exactly my feeling. Obviously, Serbs and Croats have a problem, but...

ELY: Yes, they'll work it out somehow.

Q: They're not going to shoot each other.

ELY: So, anyhow, I packed up and went off to Kingston, Ontario, for a year at the Canadian National Defense College. And went to a marriage counselor, who pronounced

the marriage healed. He was wrong. And I had a marvelous year there. I was under a lot of strain. I had intestinal parasites. I had psychosomatic symptoms connected with marriage problems. And I got my head screwed back on in Canada.

Q: One always hears about the Canadian attitude: Poor little us; if you go to bed with an elephant, you may get crushed. All these things, which sometimes seem to be played to a fare-thee-well, but the Canadians always seem to get a little extra out of it. Did you find this at the Defense College, or was this a different game?

ELY: The people at the Defense College were Canadian military. There were three American serving officers, and myself from the State Department; there were three British serving officers, one guy from the Foreign Office; and the remainder were Canadian civilians and military. And by and large, they were very pro-American, very well disposed. They liked to say things like, “Yankee go home, and take your Canadian friends with you.” They'd all served in Europe, in the Canadian NATO air units there. And they'd all visited Washington. They have Americans and British there not because they want to educate us, but because they want our viewpoints for the Canadians. So I energetically defended American viewpoints, which is what I was supposed to do. Made a lot of new friends, and generally had a very good year. Compared to Harvard, it was not all that intellectually stimulating, but the lectures were interesting and I learned a lot about Canada. The idea was that I was going to go on as economic counselor to Ottawa afterward. But the job opened up early and had to be filled, so I was going to be sent to Washington to work on Canadian affairs. And my wife said she would divorce me if we went to Washington, so I wrote to the director general and said for once, send me somewhere else. They sent me back to Paris.

There, my marriage continued to deteriorate.

Q: You served in Paris from '70 to '72.

ELY: That's right. And at that time, my old boss, the Treasury attach#, was the number-two man in the Economic Section. But that was changed by Dick Watson, the ambassador, and, to my embarrassment, I was made the number two, over my old boss.

Q: Must have been uncomfortable. Did this represent anything from the Washington side as far as Treasury being unhappy with this? Or the Nixon administration?

ELY: No, this was an arrangement that had always existed in the embassy from the early days of the Marshall Plan. The Treasury people—Tomlinson and his deputy, McGrew—who stayed on were very capable, energetic, hard-working people who were very active and broad gauged. They handled trade questions as well as financial questions. In the Paris embassy, you had this tradition of very close integration of Treasury and State.

In my first job, I worked in the Treasury Section. Actually, there were two officers, sometimes, in the Treasury Section. My predecessor was Art Hartman, and his predecessor was Dick Vine, so there had been a lot of good State people working with Treasury there.

But this relationship was beginning to deteriorate by the time I got back there in '70. Dick Watson was a difficult and sick man. He didn't like the Treasury attach#, didn't trust him, thought he was gay because he wasn't married, and eventually just decided this is the way it's going to be.

Q: Watson came from the IBM family.

ELY: He was the younger brother of Tom, Jr.

Q: Well, he had his problems, too, didn't he.

ELY: Yes, he certainly did. He was the one that had too much to drink on a transatlantic flight and got into a shouting match with a stewardess, which was publicized.

He also did strange things around the embassy. He's the one that ordered the Marine guard to take down and destroy the Christmas tree.

Q: Shoot it or something?

ELY: He said, “Chop it up in pieces.”

Q: What was the problem with that?

ELY: He was drunk and he thought it didn't look right. The admin. counselor had to send him a memorandum the next day saying that he had personally approved that Christmas tree. And he came back, “Okay, I owe you one.”

He wasn't a bad man, but he was unstable, he had a drinking problem and he was arbitrary. At IBM, he played tricks on the senior management. He would organize groups of junior officers to do oversight of section chiefs. The section chiefs didn't like that very much. And he also ran people through a goals-and-objectives exercise that you could never quite get done, it was never quite right, it was always being sent back for a little more work. He kept people very much on edge. He would fine people for being late to staff meetings. You had to speak at staff meetings, but you had to know just how much. If you spoke too much, you got cut off, and if you didn't speak enough, the conclusion was that you didn't have anything to say because you weren't doing anything.

There were these minor harassment measures that were continually taking place, and people were rather unhappy.

Anyhow, I was direct-transferred from there, marriage still deteriorating, to Rome, where I ran the Economic Section.

Q: You served there from '72 to '75. In France, this was after de Gaulle by this time, wasn't it?

ELY: That's right.

Q: Did you see a difference in your dealings with the French government after the departure of de Gaulle?

ELY: Some attenuation. These were the Pompidou days. Pompidou was a Gaullist and he was very careful not to change any of the Gaullist policies of being outside of the military alliance, seeing France as an arbiter between the Soviet Union and the United States, being critical of the United States' Vietnam policy, generally critical of American social policies, economic policies, but with no animus to it, nothing ad hominem.

So the sting had gone down, but there was still a lot of official anti-Americanism around the circuit. And it bothered people in the embassy quite a bit. Indeed, the official anti-Americanism was stronger in '70 than it had been in '60, when I got there, because it had been around longer, it was deeper rooted, and people were getting ahead by being critical and unpleasant. In '70-72, nobody would speak English—nobody—and a lot of the French spoke it pretty well. Now, they'll speak English to practice if they can. Very little linguistic chauvinism is left in France.

It all started to change about '68, when French society was rocked to its foundations by a general uprising against the structure.

Q: This was June of '68.

ELY: There were the students, workers, everybody. And the housewives... on their balconies, beating tin cans with spoons.

It led to a widespread reform of the very coercive educational system, which has never been as good since. It led to administrative reforms. I guess the school system is the main thing. It used to be that only about 20 percent of the people in the 18-year-old cohort got a baccalaureate. Now, they're up to 55 or 60 percent, and the standards have come

down quite a bit. But the intense elitism and exclusivity of the French system began to be reformed at that point.

Similarly, there was civil service reform. The liberalization of the university system was offset by the strengthening of the “Grandes Ecoles.”

Q: The selective schools, the equivalent to bureaucratic war colleges, in a way?

ELY: Well, no, what they call the Commerce, Arts M#tier, #cole Normale, ..., and several others. Because the universities are no longer selective and they can't fail anybody, the value of a university diploma has plummeted, while the value of a dipl#me from a Grande Ecole went up. And that has caused further problems for French society, which it is now trying to sort out. It is the meritocracy that runs the country, even more now than ever before. It not only runs the administration, but it also tends to run a lot of the businesses, private as well as nationalized.

Anyhow, I had a nice, interesting two years. I was heading the General Economic Section. We handled trade, transportation and technology questions, and US sales of computers to the French Atomic Energy Agency, and things of that nature. We also handled energy and energy reporting. The French were running a very Gaullist policy vis-#-vis the Arabs, as if they saw the 1973 oil crisis coming. But by and large, I enjoyed it. It was strenuous. But I was glad to go to Rome and run my own section.

In Somalia, I'd learned some Italian, and that's what got me the Rome assignment. Otherwise, I wouldn't have been on the list. And I immediately got to work. I got to Rome and found, to my chagrin, that I was a barbarian.

Q: You went there from '72 to '75.

ELY: Yes, I was 43 when I got there. I'd been studying modern languages, economics, psychology, sociology, and political science. I knew nothing about classical languages,

classical history, architecture, Roman history. You name it, I didn't know it. And I spent the next three years trying to become an educated man. Meanwhile, my marriage continued to deteriorate.

Q: The ambassador while you were there was John Volpe, wasn't it?

ELY: Yes. Originally, it was Graham Martin who selected me, on the recommendation of the DCM. Graham Martin was a shadowy, strange fellow from the admin. cone, who spent his time pulling strings.

Q: The Spider King is the allusion that's made of him from time to time.

ELY: Yes, that's right. They say he'd walk into your office and speed-read your correspondence upside down.

Q: Did he sort of scuttle away?

ELY: He would move people from other agencies around. He would pick a person to be his special representative for this or that, and have him detailed to the ambassador's office. He was able to do things that nobody else could do. Now I'm not sure these were particularly good ideas, but he did them.

For example, to my great pleasure, he had the program for strengthening Italian democracy and US-Italian relations, by active support of the Lions' Club. The Lions' Club in Italy is the little brother of the Rotary Club, and both are very prestigious organizations compared to their American counterparts. So I was always being sent off to give speeches to Lions' Clubs all over Italy. This invariably produced some very fine cuisine, some good architecture, beautiful women, and flowery speeches. I got to see a lot of Bologna and Vicenza. And this was all in the name of fighting the good fight and maintaining Italian democracy and keeping the influence of the United States alive. Well, I'm not sure it did any of the above, but it was better than staying home.

Q: What about dealing with the Italian government? There were these continual "crises," where there would be a very minor shuffle in the government, yet the same government seemed to have been there since 1948, and I think, except for death, it's still doing the same thing today.

ELY: Well, Andreotti was the prime minister then, and he was prime minister until two months ago.

Q: Did we really have an awful lot to do with the government, or were things sort of on a fairly even keel, so that really the embassy wasn't playing any major role?

ELY: Well, we were perceived to have a great deal of influence. And when Wells Stabler, the DCM, who spoke beautiful Italian, a man of great force of character, got on the phone, he could get to people. They were scared of him. He could get things done. He would talk to the prime minister's diplomatic advisor, and he would talk to the secretary general of the Foreign Ministry. And in that respect, we were important.

I got to know the people in the Finance Ministry, the Bank of Italy, the Ministry of Foreign Trade, and, of course, the Foreign Ministry. My contacts were excellent, my access was good. My Italian eventually got quite good; I worked hard on it. I don't think my contacts were particularly effective, and so there wasn't really a great deal I could do with them.

This was the time, however, of the Tokyo round. We were having a big fight over trade negotiations, and I was getting calls from STR all day and all night, and continually going in to fight with the Italians on agriculture. And that was interesting.

It was also the time of the petroleum crisis. And the Italians really thought that maybe the country was going to slide into the Mediterranean.

It was also the time of a particularly acute financial crisis. People really thought that they were going to go under. Nowadays, people tend to disregard these crises, because the

Italians have survived so many of them. They always go up to the precipice, and then back off. Then they really were out on the precipice, and people thought they were going to fall over.

But we in the embassy didn't. That's one of the things that I did there, to say, “Well, look, you know, things are bad, but not undoable. It can be turned around and should be...” So that was a small feather in my cap.

Q: How was John Volpe as an ambassador?

ELY: I liked him, he was a kind man, but he was not a good ambassador. He was a self-made man, with barely a high school education. He spoke execrable Italian.

Q: Probably with a...

ELY: Heavy... accent and very ungrammatical, and the Italians made fun of him behind his back. He was unable to say more than nine words without referring to his humble origins and how he was a self-made man. He had a heart of gold and was a decent person, but he didn't understand much, and the Italians had a low opinion of him.

Q: Today is November 5, 1992. Another interview with Mike Ely. Mike, we've still got you in Rome, in '73 to '75. Could you talk about the contacts with the Communists, the apertura a sinistra?

ELY: That was a time when it was widely accepted that sooner or later an opening to the left, a historic compromise between the Communists and the center party, the Christian Democrats, was inevitable. The Christian Democrats were losing both strength and credibility, and the Communists were showing tactical flexibility and cleverness. There were several factions of the Communist Party, but at least some of them were looking forward to joining the government, and were prepared to go to some lengths to reassure the Christian Democrats that they would be a viable partner.

The question for the embassy was: Would we or would we not accept this opening to the left? We remained opposed to it to the last, which, in retrospect, was admirable tenacity, because it would have been so easy to say, “Well, look, this is the way history's going. There are Communists and Communists. Maybe we can preempt these people. We can pull them out of the Stalinist camp,” (where some of the party was) “or split the party by bringing in the good guys and isolating the bad guys.”

We had a very carefully worked-out system by which a junior or middle-grade officer from the Political Section would meet from time to time with a corresponding, probably somewhat higher-ranking member of the Communist Party. They would have an exchange, and then they would go back and report on it. It was very much like contacts with the PLO.

Q: The Palestine Liberation Organization.

ELY: Everybody came with a prepared statement, made the statement and listened to the other person's prepared statement. Frequently there was no more. Then they would go home and would report that nothing happened. But the contact was maintained.

Italian politics are very personal, very complicated, very factional, and even then had kind of a miasma of corruption to them, the source of which was hard to identify, but you could tell that there was something there, particularly in southern Italy, in the way the Christian Democratic administration worked in the Mezzogiorno, the relationships between the Christian Democratic Party and the church and the local administration, and then, finally, vague but pervasive evidence of contacts with the Mafia crowd. These contacts are now becoming more and more marked, more and more resented, and, indeed, I was in Italy two weeks ago and it seems to me that Italy's coming close to some sort of change of formal government. The country's falling apart.

The beginning of this process was apparent in the '72-75 period. The same problems that plague the country now were appearing then; that is, a weakening of the public finances; unwillingness to find any serious long-term remedies toward the continuing budget deficits; ineffective government; unresponsiveness to both perceived and apparent needs; a growth of the underground economy; pervasive disregard of civic obligations, which goes back a long time in Italy and is certainly not new; the amount of income tax evasion; the amount of cheating on health systems; pension fraud. Even making allowances for my Anglo-Saxon viewpoint, it was bad and gradually getting worse, with no prospect for reform in sight. This was what made some people think that maybe a “compromesso storico” with the Communists, who were at least considered cleaner than the Christian Democrats, might have offered some remedy for this declining and neurotic society. It turned out, no.

Q: After all, in the Italian context, it wasn't as though the Communists were a bunch of people wearing overalls, sitting way off out of sight. In political gatherings and just normal social life, many of them were well integrated into the thing. So that, while we may have been talking, you know, formal statements, there must have been a lot of unofficial contacts, weren't there?

ELY: Well, not much. There were people of Communist persuasion around the society, but normally the ones in the Party structure, who were professional politicians, were well identified, and we kept our distance from those people. The Italian Communist Party had two identifiable wings; there were more than that. There was an intellectual current that went back to the beginning of the century, of a humanistic, idealistic, reformist, almost Utopian party of Gramsei, I forget the famous intellectual who died in prison. And then there were the Giolitti, and people like him, who were great friends of the Soviet Union, benefitted from Soviet support, and were real hard-liners.

The thought was that perhaps these two factions could be separated. In point of fact, the loss of the Cold War, the decline of Leninism, and the total discrediting of the Stalinist

movement has led to kind of a split in the Italian Communist Party. But the political system since I served in the embassy has been transformed, and parallels are now almost impossible to make.

I used to have exchanges with the Political Section, saying, “If the compromesso storico is not acceptable to us, what's going to happen to this country? Where are they going to go?” It seemed to me that there was going to have to be some sort of arrangement between the Socialists and the Christian Democrats.

The response of the Political Section was, “That is impossible.”

And my response was, “It's impossible now, but it seems to be the only alternate way.”

That's the way things actually evolved.

Q: Do you think there's a certain mindset, in any situation, particularly one like the Italian, where people are saying, “Well, this is impossible”? There have been all sorts of arrangements between the Socialists and other parties, and I would have thought that someone sort of forward looking would have said, “Well, sure, something's going to happen like that.”

ELY: Well, I think the numbers did it. The Christian Democrats, or at least factions of the Christian Democratic Party, will do anything to stay in power, and that includes dealing with the Communists. The Communists became less of a wave of the future and became more static, while the Socialists began picking up votes. This gave the Christian Democrats somebody else to deal with, people a bit easier to deal with; that is to say, the Socialists, and their splinter parties, Republicans and the Social Democrats. And by jiggering around between these various factions, it was possible for the Christian Democrats to maintain at least a portion of their political power, which meant patronage, participation in the state enterprises, a certain amount of guaranteed fund raising, which meant corruption. This was the only way they could maintain their entrenched position, so

they were quite prepared to do it. Again, the Christian Democrats stood for very little in the way of principle. Indeed, some of us thought, in a very general way, that the ideologists far behind the Christian Democratic Party wanted a weak central government; they were quite prepared to see the institutions of government weak and ineffective. It served their purposes very well that government be discredited.

In hindsight, this is a plausible explanation. But who these people were and how they operated escapes me.

Q: I was in Italy in the late '70s, in Naples, and I had very much the feeling that the people down there basically, including the political people, liked it very much that way. They'd had a strong government under Mussolini, and they didn't want any more, and things could, what is it, arrangase, you could arrange matters if you didn't have a strong...

The Italians have a knack for this, but it seems to be running out. How did you find, looking at it from Rome, the aspects of regionalism? Reporting from the consulates and all this, how important were these?

ELY: The Italians, from the standpoint of public opinion polls, are the most enthusiastic Europeans of the Community; they and the Dutch for rather different reasons. One of the underlying reasons that Italians, particularly Italian intellectuals, looked to the Community is that they saw, in embedding Italy in a larger European context, the possibility of getting rid of this corrupt, inefficient central government and going to some sort of a regional arrangement by which Lombardy and Tuscany and Venezia would have a good deal of autonomy. Then they, with their better political systems, work ethic, and more honest people, would thereby do better; they would be released from the grasp of the corrupt and ineffective political apparatus, which was dominated by the Christian Democrats.

Q: In other words, almost drop the south, the Mezzogiorno.

ELY: And then the south would be treated as a less-developed region of the Community, and the northern regions would require more autonomy, within a European context. This was the regionalist approach to European federative structures.

As we've seen, not a great deal has come of this. People are still talking in these terms, but the nation states themselves, the member states that comprise the Community, aren't having this. The British are not about to let Scotland and Wales go, and the French are not going to let the Jura and Corsica, et cetera.

However, the Northern League movement in northern Italy is very strong. It is, however, not looking to Brussels for inspiration, it is looking to Rome and the Mezzogiorno and the Mafia for repulsion. They are using separatism as a lever to extract change. The measures would be more convincing had not the political system—Christian Democrats and Socialists alike—in Milan been bound to have engaged in very large-scale, massively corrupt practices, in the letting of government contracts, in sweeping off money not just to finance the political parties, but to enrich individuals. Very deep and expensive corruption that has deeply discredited...

Q: At the time, though, the embassy, there was an odor there, but there wasn't the...

ELY: No smoking gun.

Q: There was no smoking gun.

ELY: Having been back in Italy and talked to a few Italians and looked at the posters in the public squares and all, people are beginning to hunt down the Christian Democrats. And the trails seem to be leading toward Andreotti, that shadowy and...

Q: Who's been around since...

ELY: I had dinner with him...

Q: In 1948, he was...

ELY: And he's a very elusive, intelligent, cunning, charming, opaque person. Very opaque.

Anyhow, I left Italy after having had a really interesting tour. I enjoyed it.

Q: It's really the big time in politics, in a way, at a local level, isn't it?

ELY: Yes, and as a man of the north, the Italian experience really was quite fundamental.

Q: It sort of sucks you in and you get involved in this.

ELY: In Rome, that ancient and corrupt and beautiful city.

Q: Well, a paragon of virtue, you came back to work in Henry Kissinger's secretariat, is that right?

ELY: The Policy Planning Staff.

Q: From '75 to '77.

ELY: I never worked well in organizations that had no structure, and there was almost no structure in the Policy Planning Staff. In retrospect, that was one of the few assignments that I actually sought and got, and it was also a rather unsuccessful assignment for me professionally. Part of it's me; I need to have a context in which I can set myself goals and do them.

Q: Could you describe what you were supposed to be doing and how it operated.

ELY: No, I couldn't. I never really got that straightened out. The September Foreign Service Journal has a number of articles on the Policy Planning Staff and how it's

supposed to work. It seems to work in a different way for different secretaries of state. Almost everything depends on how the Secretary wants to use it.

Kissinger had Win Lord running the Policy Planning Staff, and Win Lord was one of the few people that Kissinger trusted. There was Helmut Sonnenfeldt and a few others. Lord is an admirable person, honest, hard working, clean. He was frank with Kissinger, and Kissinger let him tell him things that nobody else could tell him.

The one real identifiable function was speech writing, or ideas for speech writing. And the Staff, those that didn't have their own private agendas, ended up trying to write material that they hoped they could get Lord to put in some of Kissinger's speeches.

During his last year, Kissinger had a project of making a series of major speeches around the country, which would be his testament. And Lord worked very hard at the speeches, which were of quite a considerable intellectual level. Unfortunately, the press that covers these presentations was never able to handle the complexity of the thought process that the speeches laid out. The press has to have one thing in a speech, or maybe two, but if you put in ten and you blend it all together, the press stories are all likely to report the speech differently.

Q: Was somebody running around trying to explain what the speech was about, afterwards?

ELY: Well, no. They will be, or perhaps they already have been, collected into a volume of collected speeches of Henry Kissinger.

I was responsible for foreign assistance. Did some work on energy. Did also some work on technology transfer. I worried about commodity agreements. I found that the EB that I was working with closely was Jules Katz. They were not interested in having SP around. They considered us at best an adversary, and at worst a threat. So I was allowed to attend staff meetings and very little else, even though I had good personal relations with lots of people

in the... I worked with Bill Kontos on aid matters, and there I had good contacts with the brain trust intelligentsia in the Program Bureau of AID.

It was there I made my biggest substantive contribution, which passed unnoticed at the time. I was part of the process that persuaded AID to support Treasury's emphasis on the international lending institutions, rather than AID as the central instrument of US foreign-aid policy. I thought that AID should do this because Henry Kissinger had discredited the aid process so completely. Funding levels were nowhere near adequate to support the kind of economic development rationale that Dave Bell and the Kennedyites had brought to AID when they set it up in the early '60s. It was, and has since become even more so, a grab bag for various foreign constituencies, run by earmarking money in the Congress, beset by difficult management problems, and highly politicized. It was a proper policy judgement, from the standpoint of the interests of the country (if you believe in foreign aid as I do), to make this shift. However, the Republicans who came in later believed neither in AID nor in the international financial institutions. In recent years, our aid performance has been lamentable, both in quantity and in quality.

Q: Again, we're going back to the time. You were in Policy Planning from '75 to '77. At that time were you looking at aid to see whether it made sense? One hears today that so much of aid was, whoever came in, if they happened to be a specialist in whatever, that's what we did in a place. Then somebody else would come in. And there didn't seem to be much continuity.

ELY: Little in the way of underlying philosophy.

When Carter came in, in '76, then you got an attempt to change the aid philosophy in favor of limited development, delivering aid services to the poorest of the poor, helping really poor people. A movement away from any kind of macro approach, to kind of an enlightened charity program, to really help poor people, to look at the basic reasons that make them poor, and ameliorate extreme suffering and poverty.

Well, the people that think about aid have always held that the real purpose of aid is not to help people so much as to induce policy changes, because only appropriate policy can result in effective development. So, bypassing the policy process and going directly to delivering help to the poor and oppressed is in a sense turning your back on foreign aid.

Q: It's charity.

ELY: That was essentially the approach.

Q: But you were mentioning, in the Policy Planning, that there were some people following private agendas. Could you give me an idea, what did this mean?

ELY: There were a couple of very bright guys who were working on nonproliferation questions, not just nuclear, but nonproliferation of nuclear technology, and doing some of the spade work for what became a series of initially almost covert meetings with major suppliers of equipment for making ballistic missiles. These were young staffers who had worked for Teddy Kennedy for a while, and had been in the arms control agency. They knew what they were doing, but they were operating independently. We had a couple of people who tried to get Kissinger to focus on human rights issues. Then, when Cy Vance came in, there was a concerted attempt to turn the State Department around on human rights. Carter wanted him to reconcile the view of the Department with the new added requirement that US foreign policy take on human rights issues.

Q: ... deputy secretary.

ELY: The human rights activists were closely related to the Selma civil rights activists, who found that courageous acts committed in public rallies public opinion. But that doesn't work in Iraq, you know. Don't try it in China. There was a difficult period of trying to figure out how human rights considerations interact with other foreign policy considerations, and how you enforce them. This is rocky trail. Both sides had to learn a lot from the other, and eventually I think we got a much better comprehension than we had before. This

was a time when Congress was about to start writing legislation, and human rights had to be figured into all kinds of treaty relationships... trade measures used to enforce human rights... The State Department and the foreign affairs bureaucracy were considered so unresponsive that Congress wanted to legislate human rights into US foreign policy, a very cumbersome and inefficient way of doing it.

I did get mixed up a lot in technology transfer questions. This was at a time when UNCTAD was trying to impose restrictions and requirements on multinational companies that they turn for example pharmaceutical rights over to poor countries, that they transfer their patents and proprietary information for nothing. The idea was that these poor people would never be able to buy the proprietary products, so if you cut the price to zero you're not losing anything. This is not a good argument, but it was very popular...

When I got to SP, Kissinger had just made a speech in which he appeared to have conceded a great deal to the G-77 and the developing countries. This was at a time when we were moving toward the tail end of the Algerian-led train of efforts...redress the balance between the rich and the poor countries in the wake of the first oil crisis. That led to a lot of rhetoric: Natural gas should not be used for fuel, it should be used for medicine, a noble use. All the other primary products after the oil producers were finally going to get a fair shake from the exploiting, dominating, capitalist countries. The dialogue was paralyzed by the negotiating process in Paris, which went on for years, people flying back and forth with talk about commodity agreements. We eventually talked the problems out of existence.

Q: ... I like Paris... This was a really major assault on the entire economic system, wasn't it?

ELY: Yes... very rapidly. At that time, when the multilateral corporation was considered to be dominant in a system which was rootless and irresponsible; many in developed countries, particularly the Democrats thought there was something in this analysis. people... somebody tried to... process.

Q: What about in Policy Planning, which probably is more responsive to...correct me if I'm wrong, but to the political waves of the immediate that come than, say, most of the bureaus, which sort of follow on in their own way? Whereas, in a way, I would think you were trying to turn things around; I mean, that's sort of the general idea. What was the difference between, say, Kissinger and the Vance groups on the Middle East, particularly dealing with Israel and all?

ELY: Well, I didn't get into that much. I was encouraged by Hal Saunders to try to write a paper on making the desert bloom, or how to rearrange water resources between the Arabs and the Israelis in such a way as to improve the possibilities of a peaceful settlement. And I carried that on when I went over to INR as an office director at the end of my period at SP.

Kissinger took Win Lord along with him on his famous shuttle diplomacy trips, and Lord came back and reported what an excruciating process that turned out to be. But as a group, the staff didn't really participate a lot. Kissinger ran that one himself; Lord went along as a trusted personal confidante. But he hardly used the State Department at all. As I said, I wasn't working on these matters. He destroyed the Bureau of Near East and South Asian Affairs while he was in the White House, and completed the destruction after he came over as Secretary of State.

Just as an aside, I sometimes think that I felt like an interloper under Kissinger, and then, when Tony Lake came in, I was a holdover.

Win Lord, for example, made sure that his people who went out got good jobs. And a lot of them went out as ambassadors.

Lake was interested in seeing that the people who were there left as quickly as possible (be sure to turn out the lights when you go), and where you went was of no concern to him.

Q: Well, Anthony Lake is now...we're talking about two days after the election of Bill Clinton to be president, and nothing has been put together, but Lake is one of his confidantes, I think.

ELY: Lake is widely mentioned as one of the first circle of advisors.

Q: Could you describe how you viewed him at the time, and how he operated.

ELY: Lake has a good reputation. I liked him. He was distant; I had almost no dealings with him. He came in and he was, I think, interested in getting his own people on the staff.

Q: So this was part of your moving over to INR?

ELY: Yes. I'd been out of the Department for a long time when I came back with SP. And I'd had a fairly unstructured and unsatisfactory assignment there, with two administrations in two years, and never really gotten myself involved closely in any issues where I really thought I was contributing anything. So I felt marginalized. Also, being in SP doesn't make you popular with EB or EUR. They saw SP as an adversarial organization at best, and something to be looked after, something of a nuisance or at worst a threat. Made a complicated life even worse.

I was solicited by INR, which is not a top-line bureau; it wasn't considered to be then, and still isn't considered to be.

Q: Intelligence and Research.

ELY: Yes. I was asked if I would take over their Bureau of Economic Research and Analysis. And I was intrigued, because it was a great big operation—32 officers—and I had a big office, and I found that they had some interesting management problems, an econometrician and a group of people who had been hired that were unemployed. They were trying to gear up to use computers and data systems. The office had been used as

a dumping ground, and the original concept of a high-powered, modern, computerized research shop, which had been put together by Sey Weiss five years before, had quite disappeared due to the successive changes in management. It was a demoralized and inefficient office when I took it over. And I thought that was interesting; maybe I could do something with it.

It turned out that, no, I couldn't. Well, I did some things. I think it worked better when I left than when I got there.

Q: But you saw it in that light when you got there. This was the way the situation appeared to you at that time.

ELY: I was intellectually curious. I saw this as a challenge. You might say I chipped away at the problem, but found that without some fundamental changes, not much was going to be done. Indeed, not much was done, and not much has been done since. A friend of mine is now running the same office.

Q: Is it Bob Duncan?

ELY: Yes. And it's about the same.

Q: Bob's getting ready to retire.

ELY: Yes, he's getting ready to retire. He's a good officer, very smart, a good economist. I felt at that time, and I feel today, that that office and the Research and Analysis Office in EB should be combined and serve both EB and the Under Secretary for Economic Affairs as well as other people. But for bureaucratic reasons this was not going to happen, didn't happen, and will not happen.

I was then asked by Jules Katz to take over Monetary Affairs. I was diffident about it; I wasn't sure that I really had a lot to offer. But he then approached me twice, and the second time, he sort of said, “Look, this is important and I want you to do it.”

So I said, “Okay.”

He stopped wooing me and said, “Look, if you look at the big picture, there's an imperative to this. I need you. You're the only one that can do it. I've got a bad problem, and you can solve it for me. So do it.”

I said, “All right, I will,” and I went to Monetary Affairs.

Q: This was part of the Economic Bureau.

ELY: Yes, the Office of Monetary Affairs (OMA), which essentially dealt with Treasury, IMF matters, debt matters, systemic reform of the international monetary system and the European movement toward financial integration.

That assignment, which I took reluctantly, turned out to be one of the best I've had, from the standpoint of intellectual achievement and satisfaction.

Q: You were doing this from when to when?

ELY: Seventy-eight to '80, for a little over two years. It was a bit frustrating, because I felt that I ought to move up to deputy assistant secretary. It was time in my career, and I couldn't do it. They'd moved in a woman instead. Every bureau had to have a woman DAS.

Q: This was in the Carter period. It was very emphasized, you had to have...

ELY: Well, in a sense, that was one right against another right.

But I found that working through the problems and then trying to transform the intellectual content into policy content was very interesting and very exciting, particularly since I had good people to work with.

I was working for Richard Cooper, Under Secretary for Economic Affairs. And Cooper is a brilliant man. Not particularly successful as Under Secretary, for the same reasons that he was not successful as provost at Yale: he's not a fighter, he's not an administrator, he's not aggressive. He's more of an intellectual and a thinker. And for those reasons, he has never become president of a university, as people thought he would one day. He now runs the Center for International Studies at Harvard, where he's not really well known, because he doesn't get his name in the papers. But he's a first-rate person, with a first-rate mind. Because he was so good, he was influential in the Carter administration. And, through him, I had an impact on all kinds of things.

I acquired an interest in Turkey, and led the US delegation to the Turkish consortium of the OECD. Turkey was in a very difficult economic position—heavy debts, poor economic performance—and apparently moving into a debt trap where no matter what it did it would be unable to pay off its debt. Its debt would not only have to be renegotiated, it would have to be forgiven. But, miraculously, Turgut Ozal almost single-handedly turned the situation around. We in the OECD consortium gave him the breathing space that he needed. Turkey was turned around in that period. This was quite a policy success for everybody, one that is not much thought about these days. I guess if you avoid catastrophe that is considered par for the course.

Anyhow, my two years were up, and I'd been in Washington five years and I was ready to move out. I'd heard that Paris was coming open, and talked to my career advisor. Art Hartman was the ambassador there. We knew each other, and he was glad to have me. And so I went out to be economic minister in Paris, which was a lovely job.

Q: Before we go to that, how did you find the State Department dealt with Treasury in the Washington area? You were sort of the point man for Treasury, weren't you?

ELY: It depends so much on people and circumstances. Relations have only rarely been very good. Back in the '50s and '60s, when John Leddy moved back and forth, State and Treasury saw eye to eye on many international financial issues. But there's a natural antipathy between them. Treasury is a large, proud, old department and does not defer to any other Executive agency on matters that it considers to be its jurisdiction. State feels that international finance is too important to be left to Treasury, which tends to take a banker's, or technical, viewpoint and leave out the foreign-policy aspect.

So there is a continuing tension between them, a tension that is particularly high these days, where State has been withdrawing from international finance for years now, turning it over to Treasury which is becoming more and more obstreperous. You've David Mulford, who specializes in repudiating agreements made by his subordinates with the State Department. The result has not been catastrophic for US interests, but has not been favorable. And people like myself who came up the financial route, have by and large found that they'd better develop a new career, because that part of the economic cone was going even less far than the other parts of the economic cone.

Q: So you went to Paris, where you served as an economic minister from 1980 to '84. Arthur Hartman was the ambassador most of the time?

ELY: He was, for the first year, and then left. Ambassador Hartman was a superb ambassador. He loved the work. An authentic intellectual, with very broad interests. Good humored, approachable, quite effective with the French. He stayed there less than a year, in fact; I got there, there was the election, the change of administration, and Hartman left.

And then we got Evan Galbraith, a banker who had served in Paris before and was a friend of Bill Buckley. He had run the Goldwater campaign in Europe in 1964. He was

a member of the right wing of the Republican Party. I'm a Democrat, and my instincts are entirely in that direction. And there was some question about whether Galbraith was going to be able to work with the embassy team. Actually, it worked out fine. I found Evan Galbraith to be an excellent ambassador in many respects. He was good humored, energetic, spoke pretty good French (not as good as he thought or other people thought), nice wife (strange but nice), good about receiving people.

He had, however, an aspect to him that was very difficult; and that is, he would occasionally kick in as a kind of Buckleyite, hard-right, second kitchen Cabinet. He had ambitions for moving to at least Under Secretary for Economic Affairs, or maybe deputy secretary of the treasury, and he was trying to show off his conservative credentials in Paris.

One day I was out of town for the day and came back and found that he'd called a press conference to essentially talk about the virtues of Reaganomics and the evils of Socialism. I would have opposed any such press conference in Paris.

He enjoyed teasing the Socialists. This was after Mitterrand came in '81.

Q: Mitterrand, who was a Socialist; it was a Socialist government.

ELY: They were very edgy, and Galbraith loved tweaking and teasing them. They didn't like that at all; they did not have a sense of humor about being Socialists. He also made right-wing speeches, which pleased the opposition very much, and people would come up to him on the street and say what a great job he was doing.

He thought that was wonderful, but I thought it was terrible, because the Socialists basically cut him out of the loop and would have nothing to do with him. The Quai d'Orsay twice called him in for making speeches about the Communists. The reproof was mild, but nonetheless, the Quai called him in and reproved him. It went over him like water off a duck; he never realized that what was happening to him was a formal rebuff. He took it in

a William Buckley, happy Boy Scout way, which I found quite attractive in some respects. They weren't getting through to him. He was thinking of running for governor of New York, which goes to show you what he really had in mind.

Q: When you're at an embassy and, obviously, you have to deal with the French bureaucracy, and you have an ambassador who has, you might say, a different agenda that is cutting him out of the loop, what does this do to you all?

ELY: Well, it put me under pressure. I had three difficult issues that I was handling.

One was technology transfer, where the previous Giscard regime had been very aggressive in selling advanced French technology around the circuit. The Department of Defense was very worried, and Richard Cooper was trying to do something about this. Eventually, the Socialists came around because they discovered a very large Soviet spy ring stealing technology from France. They recognized, yes, we Americans had had some points. And they cleaned those guys out and worked with us more closely. That happened just as I left.

The second item was the miserable business of embargoing the compressors for the Soviet gas pipeline. Where Galbraith thought that was great, we were really on very poor ground. There was no agreement that France should not buy Soviet gas. There was no agreement that the Soviets would use gas supplies as a tool to extract concessions when they maneuvered the West into a position of dependence. Gas compressor technology of the '50s was not classified. The only reason that we had any control over it was the fact that General Electric had to report sales of this stuff under the Export Control Act. Once a week, I'd go in and bang heads with Jean-Claude Paye, the Director of Economic and Financial Affairs, who's now the secretary general of the OECD. He handled it extremely well; he could have been destructive. He put enough pressure on so his message got through to Washington, through me, very clearly, without exciting the hard-liners by belittling them or seizing the moral high ground too consistently.

Q: Well, also, on something like this, here you have a policy issue which was, at the time, at a very high level in the Reagan administration: "We're going to stop the Soviets in this perfidious exploitation, going into selling gas to the West. We can put a stop to this." And the French never take kindly to this type of thing anyway. And you were the principal messenger back and forth.

ELY: You better believe it.

Q: Did you find yourself consciously toning things down?

ELY: No, no. This, of course, is always the dilemma. When you see the situation rather differently than Washington, and you receive instructions that tell you to go in and punch 'em in the snoot, you go in and punch 'em in the snoot, because you're not conveying your views, you're conveying Washington's views. And then if you want to, sometime later, over a drink, talk the thing over, that's different. But you follow your instructions. You're not doing your counterparts a favor if you, by winks and nods, dilute the content of the hard line that you're instructed to convey.

Q: Okay. Well, look, we'll stop at this point, and then we'll come back again.

ELY: I've got one more issue to cover, the nationalization of American companies, which was also difficult.

Q: Today is March 10, 1993, a continuing interview with Mike Ely. Mike, we were just finishing up your time in France. You mentioned at the very tag end that you wanted to talk about nationalization. What issue was that?

ELY: Yes, well, the Socialists came in in 1981. They had an extensive program of, as one of them put it quaintly, "storming the commanding heights of the economy," which included a series of nationalizations. The companies on their list included several American

subsidiaries. One, a subsidiary of ITT, was an electronics firm that worked entirely for the government. Another was a subsidiary of Honeywell.

Q: Honeywell being a computer electronics firm.

ELY: That's right. It was the Honeywell-Bull joint venture.

Q: Bull being their major computer-type firm.

ELY: Yes, it was quite interesting. Honeywell had gone into the joint venture with Bull not many years before, and had suggested that while the joint venture was being put together by the lawyers, they put in something about what might happen should the French government ever decide to nationalize the venture.

The French said, “Oh, we'd never do that.”

Honeywell said, “Of course, we understand you never would, but just to give the lawyers something to do...”

So they had an ironclad nationalization agreement, where the book value of the proceeds was automatically put into Treasury bills (which meant more interest for Honeywell) as soon as nationalization happened. Then they negotiated a settlement. And, indeed, that worked out well. Honeywell continued to represent Bull in the United States and sold computers, through Bull, in France. Honeywell was being treated better than IBM had ever been treated under the Giscard government, because it was playing the game.

ITT was quite another case. It had a sick French company. It had it on government contract. Rand Arescog and his people came in. They had a valuation, made by Merrill Lynch, I believe, that said the company was worth something like $30 million. The French had another valuation, that the company was worth virtually nothing. The Socialists appointed a representative, kind of a mediator. He turned out to be a very flaky guy, who never showed up and didn't wear neckties, quite unpredictable. The ITT people were

clearly concerned. They were holding out for their $27 million. They asked for embassy intervention. We declined to intervene into the substance of the issue, but said that we would stress to the French authorities the need for prompt, effective settlement, in accordance with our instructions on nationalizations. The Socialists didn't like being told by us that they were supposed to give prompt and effective settlement. They listened but with gritted teeth. Meanwhile, the negotiations went on and on. Finally (I won't string it out), the Socialists made an offer, which ITT accepted. Later, I found the ITT negotiators were chortling up their sleeves, that they thought they weren't going to get anything and that the company wasn't worth anything. This led me to some inner soul-searching about the ethics of the whole situation. It left me with a bad taste in my mouth, and I admired neither side. But, anyhow, we got over that particular hurdle.

The worst one (and I think I covered it in our last discussion) was the gas pipeline episode.

Q: Yes, you did talk about the gas pipeline.

ELY: That was difficult. And also the technology transfer talks. Then the persistent disputes over agriculture, which were a running theme.

Q: Including today, 1993, in today's paper, they're still talking about it.

ELY: That's right. The Community reformed the Common Agricultural Policy (CAP) in 1984, to make it less expensive, produce smaller amounts of unwanted surplus commodities that have to be disposed of by subsidies of destruction.

I was talking to the then-director of foreign economic policy at the Ministry of Foreign Trade. He is now the French executive director at the IMF, incidentally, an inspecteur des finances, an intelligent, well-informed young man, who spoke excellent English, although we did business in French. He was saying that this package was so good, that the Community had done so much for its trading partners, that they owed... the Community a debt. The EC should get trade concessions in response to this reform. This was the

one serious dispute that he and I had. We were good friends and tried to resolve things in a friendly way, but I told him that our technicians, who I thought were very good, said that that reform wasn't worth anything. It was the third in a row. About every five years the CAP would threaten to collapse under its own weight, so the EC would try to fix it. And they didn't. I said, you know, we think there's going to be another one down the road in about five years. It was six; we were off by one year. Which the French, of course, resisted seriously.

The French have allowed their farmers, in part because of sympathy, in part because of political considerations, in part because of, I think, the lack of forward thinking, to have an inordinate political influence, which the farmers proceed to exercise selfishly on their own behalf. I mean, the French seem prepared to throw out the Uruguay round because the farmers, in some inchoate way, say, “Well, gee, you know, we can't accept a lot of this stuff that's going on, including the reforms of the Common Agricultural Policy, the soybean judgments against the Community in the GATT.”

Who are the French farmers to say that they can't go along? The Common Agricultural Policy has enriched them. It is now enriching them less. And this is in response to world market forces (the way that the CAP was set up to begin with, anyhow). Their answer is, “Well, don't bother us with the facts. We just want money.”

Q: Were the French farmers a force at that time as much as they are now?

ELY: Yes.

Q: Did we make any effort to try to look at the French farmer and figure out what can be done about them? Was this something that was high on your agenda as far as a concern?

ELY: We tried to understand the French farm movement. And we did, and do, well. There's nothing particularly opaque or mysterious. The French farm movement has two poles.

One is the poor farmers south of the Loire, who are marginal. The land's not very good, the farms too small, and they try to survive with a couple of cows, some vegetables and some cereals, which they feed to the cows, and grow some fruit. These people have always been on the margin and their numbers have been dropping for hundreds of years.

Against them you have north of the Loire very modern, efficient producers of wheat and soybeans, and a few other things, like rape seed, that are substitutable. These farmers typically have holdings of 250 to 400 acres, worth millions of dollars. Indeed, the high prices of cereals have been capitalized in pushing up the value of the land, and these people are all extremely wealthy, at least on paper. Their investments in terms of farm equipment and storage facilities are very considerable. They use large quantities of modern fertilizers and pesticides. And, indeed, they can compete on world markets. The French will acknowledge this; in fact, they sometimes say that they may be somewhat better than their American equivalents. [Can one be better than one's equivalent?] I don't know whether this is the case but they're certainly competitive.

Here is the irony. These well-organized, modern farmers (who give money to all the parties, incidentally) have actually lost their market in Germany, because the Germans want high prices, and the French want no limits on production, so you get the German prices and the French production scheme; lots of production. The German output is enough to feed Germany, so the French output has to be exported with subsidies. This is one reason that the French talk about their exporting vocation. Well, if they're going to run this unholy alliance with the Germans on which the Germans are now trying to blow the whistle they've got to have export subsidies. That's what makes the mechanism work. And the export subsidies are expensive and bitterly resented by other grain exporters—the United States, but also Australia, Canada, and others.

We've made Common Agricultural Policy the centerpiece of our objectives in the Uruguay round.

Q: The Uruguay round is the one going on now.

ELY: The round that will not die. It's been going on for six and a half years; it should have been over in three. And taking the Carns Group, 14 agricultural exporters, and making very substantial reforms of the CAP a prerequisite for progress in all of the other areas—in intellectual property, coverage of services—we put the Uruguay round hostage essentially to the Community, and to some extent hostage to the French.

I'm a severe critic of the CAP. It works badly. It doesn't benefit the people it's supposed to benefit. It's very disruptive. It is intrusive. It is highly regulated. It is protectionist. It is all these things, but I do doubt the wisdom of putting it on the top of our negotiating list, because of the difficultly of making progress on agricultural subjects.

The Community agricultural system is at the stage of demographic evolution that ours was a generation ago. They've got six-plus percent of their people on the land (it varies by country, of course). We are down to three. When farmers are three percent, even with a disproportionate political influence, their ability to run things is circumscribed. American farmers, as a result, have been taking cuts in their support programs and in the agricultural budget. The Community is not yet to that point.The problem is solving itself over time. The number of farmers is going down; farmers are getting older, they're moving off the land; holdings are being consolidated; some land is being turned back. This process will, in some way, solve or contribute to an eventual solution of the problem in X years.

Mounting extensive external pressure to force the Community, that is to say the French, to reform the CAP has never worked. The latest rounds of EC reforms have taken place independent of the Uruguay round, forced upon the Community by, once again, a pattern of rising expenditure, increasing production of unwanted commodities that have to be destroyed or sold on world markets at subsidized prizes, provoking outcries from the other producers of the same farm products.

However, that's neither here nor there. The round is still underway. It has all kinds of good things in it for the participants. The experts that I've talked to say that the current administration should accept it even though it's not perfect. The intellectual property and trade and services provisions are too weak for certain sectors of American industry. They would like to see it reopened and renegotiated. Very dangerous to the package. The fact that you can't get the best doesn't mean you should give up the good.

Q: Well, Mike, going back to that period of time. Here you were, in a major capital, the chief economic officer of the United States. Were you getting any reflections about the Soviet economy at that time, between '80 and '84? Because, within five years of the time you left, the Soviet system collapsed, basically because of the economics.

ELY: Well, yes. I would say you got a rather different view from the French—always have gotten. We tended to think it was self-serving: the French wanted to sell them factories and technology. And when we complained about this, they would say, “Well, you know, the factories are never going to get unpacked. The technology is never going to be put to work.” (It turned out they were correct; the Soviet Union is littered from one end to the other with unfinished factories that foreigners have sold under export...) “So don't you worry.”

But our people, particularly on the analytical side, in the Central Intelligence Agency insisted on viewing the Russians as ten feet tall, with daggers clenched between their teeth, and (particularly under the Reagan administration) that anything you did that helped the Soviets in any way was contributing to the strength of your adversary, who was armed to the teeth.

A picture of the Soviet Union as a collapsing economy: the French sniffed this. They didn't actually say it, but they would continually pull back from our apocalyptic analyses of Soviet military and economic power.

A team came over from the Central Intelligence Agency to show the French the results of a very extensive survey they had done of Soviet petroleum resources and the probable evolution of the petroleum output. I knew about this, because it went back to when I was in INR in 1977 and '78, when the same team had said that the Russians by 1980 will be net importers of oil. This meant they'll be looking south to Iran and IraQ: We have a new threat in the Gulf. We should get ready for it.

My one analyst of the USSR said, “You know, even if the figures are true, the Soviets will never let themselves become that vulnerable. They'll switch resources. They'll do everything to keep up their production.”

This turned out to be correct. The Russians did that, and a lot of bad things; they wrecked oil fields in the process. Only now, ten years later, are they paying the price. The Agency was off by a full decade. Very important.

The CIA came and made a presentation to the French that, on paper, was ironclad. They had the figures for all the fields, they had all the historical data, and they projected these, and they showed that by 1982 or '83 or '84, the Russians would become net importers. The French listened politely, thumbed their noses, and said, “No, it's not going to be that way.”

And, of course, it wasn't. So, once again, the French, with much less in the way of analytical resources and intelligence [as in information, not mental aptitude], rolled back US estimates.

We thought that their estimates were self-serving. They thought that our estimates were self-serving, to tell the allies that they had to do what we told them to do, because Russians would come and murder us all in our beds with their vast economic and military might that we have contributed to.

Q: That's interesting, because these are, as you say, both self-serving. But at the same time, we sometimes get caught up in figures without looking at, you might almost say, the personality side. And we're talking about the personality side of the Soviet economy, which basically stunk. I mean, they were unable to put things together. We added figures up, but we weren't talking about actuality.

ELY: Well, the tendency on the part of analysts is always to cover themselves, and by exaggerating the strength of the enemy, you protect your estimates.

Q: You never are off if you make them stronger rather than weaker.

ELY: That's right. If you make them weak and you're mistaken, they'll hang you by the thumbs or the neck, while the other way around, they'll give you a medal. If you're correct, they will just quietly retire you.

Q: One last question about your time in Paris. You've talked about Ambassador Galbraith and his way of looking at things, but what was your impression (you'd been there before and all) of how the embassy operated? I mean, here was a huge embassy and all, how was it being run?

ELY: Well, the embassy was huge and getting bigger. The Central Intelligence Agency had an enormous contingent there. Everybody did. And meanwhile the line Foreign Service officers, as usual, were few in number and increasingly outnumbered by their miscellaneous other-agency counterparts.

Ambassador Galbraith, in one respect, was a very good ambassador. He took an interest in what people did. His door was always open. He was personally courteous and helpful, when he didn't go through one of his hyperconservative seizures, which he did from time to time. But normally he was a fine man, a good chief of mission.

He did drive the Commercial Section crazy by positing, in a good Reaganite way, that we didn't really need any export promotion, that export promotion was best left to the private sector, and that you should close the Commercial Section. This caused anguish, and the Commercial people felt that they were being undermined, that this free-enterprise approach to export promotion didn't work. They thought that they could find evidence to support their viewpoint.

I jumped in to support them, but on an economic standpoint, saying that there are economies of scale in providing information for small- and medium-sized businesses that cannot each master the information universe, and so small amounts of money, which is what we were spending, would probably have a very good payoff in terms of increased export activity. We should logically be doing the same for foreign exporters to increase trade, but for conventional reasons it's been worked out that countries promote their own exports, not imports into their own country. This seemed to be working okay; the Commercial Service and the Foreign Agricultural Service had management programs with specific goals and objectives. I thought we could be reasonably confident that this money was being sensibly spent. The Commercial Counselor was a friend of mine and appreciated the support.

As usual, when you were talking something ideological to Ambassador Galbraith, it was “Don't bother me with the facts, my mind is made up.” But he had actually dropped that particular bomb.

He also had another idea; the United States was basically, on a corrected cash flow basis, doing a much better job on investments than the statistics would indicate. A lot of people were saying then, as they have been saying for some time, that the United States was underinvesting and either had to cut its investment levels down below the optimum, or borrow a lot of money from abroad—which we ended up doing. Ambassador Galbraith had some figures that indicated to him that on some sort of a recalculated statistical basis we were out-investing almost everybody. He asked me what I thought about the figures, and

I tactfully said that, yes, you could make the case, but I think you could make the opposite case better. He didn't lose his temper, but he didn't like it a lot. He made speeches on this subject to uncomprehending audiences. He would say, “Basically, the United States is doing a lot better than anybody. And here are the numbers to prove it.”And they would say, “Yes, that sounds fine. But why is the US borrowing all this money? Why is the dollar so high?”

“Well, a high dollar was a sign of strength, not of weakness.”

Well, as the financial guy, I walked him through this. I said, “If you run big budget deficits, and you have a solid currency, it means it's going to lead to capital inflows, it's going to run your currency up, and it may pull your exchange rate out of line; there are dangers in doing this because this has inadvertent effects on costs in the economy, and price-sensitive industries are likely to get hurt.”

He looked at me, a hard look, and he said, “What kind of argument is that?”

And I said, “Well, it's analytical. It's not an argument, it's an identity. It happens.”

And he said, riled as hell, “Well, for some people it happened, but for other people it didn't,” as if there were something ideological in my argument, which was not the case.

One last anecdote before leaving Paris. I couldn't help hearing a telephone call that he got from Judge Clark, who was then President Reagan's chief of staff.

Q: He was national security advisor.

ELY: That's right, he was national security advisor. Judge Clark had seen in the papers that exports of French wheat to the Soviet Union were being subsidized; here was another case of the Europeans subsidizing the Russians. He was furious. And Ambassador Galbraith, very patiently, calmed him down and said, “Well, no, in this case, although there is a subsidy attached, it doesn't go to the Russians. It goes to the French producer, who

gets the difference between the support price and the world price.” He explained this three or four times.

Q: Judge Clark was a good friend of Ronald Reagan's. In many ways he was a very effective expediter. But at the same time, he was not renowned for his...

ELY: Swiftness.

Q: Swiftness or intellectual depth, particularly in foreign affairs.

ELY: Well, the ambassador understood this perfectly well, and he explained it deftly and patiently. And he eventually got Judge Clark calmed down, so we didn't get a broadside telling the French and, indeed, the Europeans to stop passing subsidies to the bear to the east, subsidies that it would use to put on muscle and rockets to threaten us and break down our defenses and our democratic system.

Q: Well, then, you left Paris in 1984, and you had what the Italians would call a parenthesis. What were you doing?

ELY: Well, first of all, word came out that the position of US executive director of the Asian Development Bank, in Manila, was opening up, and was I interested. This would be right down my alley. Ambassadorial title, travel money, a good deal of autonomy. Lots of problems with the Asian Development Bank with the accession of China, whether or not China would come in, and if so, under what circumstances. So there were some very interesting diplomatic problems to be solved. So I was told, “This is a Treasury job, and if you want it, you're going to have to go back and interview.”In point of fact, Ambassador Galbraith was running a fund from putting up guests in the residence, and he had some money to pay for miscellaneous embassy expenses. I understand he got into trouble on that later. It was not publicized, but he had to give a lot of money back.

The admin counselor took me aside and said he thought probably I'd do better not to get my hand into that particular pocket.

And I said, “I understand, I won't.”

I paid my own way back (it didn't cost a lot of money, $500, something like that) and interviewed for the job. The interviewing process with the Reaganite ideologues was difficult. They wanted me to say that they should cut good programs, because cutting the budget was more important than programs. I would not sign on to immediately. They also asked me about my political affiliations. I said I had none, having lived in the District of Columbia and been unable to vote, and had not been active in the politics of either party. This they considered even worse than being a Democrat.

It turned out that Jack Kemp, who was then gearing up for his first try at the presidential nomination, changed his team and needed to place a senior person, his chief of staff, Joe Rogers, who had a doctorate in economics from Duke University. So the job suddenly disappeared.

Nobody told me about this. My telephone calls were not being returned. Eventually, Ambassador Galbraith kindly called David Mulford, the Under Secretary of the Treasury, on my behalf and got an evasive reply. We realized that something was afoot.

Rogers went out to Manila and was a disaster. He was so conservative that he would not accept instructions about how to maneuver the Beijing regime into the Asian Development Bank. He alienated everybody, and eventually left and went on the board of the Taiwan Fund. In other words, he turned the position of US executive director into a sinecure. It was unfortunate.

This left me without a job. The diplomat in residence program is usually reserved for ambassadors or for people that they're putting on the shelf until an ambassadorial post opens up. This was not the case for me. I was asked to go to Houston to help with the

struggling Center for International Study at the University of St. Thomas, a small, liberal-arts, Catholic university in the center of Houston. An organization, Houston Inter-university Consortium on Foreign Affairs, linked St. Thomas University with Houston University and Texas Southern, a predominantly black college, in a common program in foreign affairs. Unfortunately, the professor who was running the program was off on sabbatical at the Army War College in Carlisle, Pennsylvania, so the consortium didn't work. I was left to my own devices, so I did some reading, some lecturing, and taught a couple of courses in the spring term.

St. Thomas is a small and struggling, impoverished, embattled, and rather good little university. I came away with great respect for the people that put that thing together.

The University of Houston turned out to be a large, streetcar university. I went to see the chairman of the Social Sciences Department, and he told me, pointedly, that they had several priorities: the first was Houston; the second was Texas; the third was national problems; and then, if there were any other priorities left, they might think about international problems.

Although that was only seven or eight years ago, Houston was just awakening. No Japanese was taught anywhere in the Houston area. The only center for foreign affairs was the tiny one at St. Thomas, which was underfunded and understaffed. The Houston educational system concentrated on producing petroleum engineers and MBAs, and for the women, nurses. The idea of liberal arts education, except at Rice University (to which I was not accredited), never occurred to anybody. The Houstonians are a practical, smart bunch, but not into the classics, history, English or languages: strictly practical in their approach to education, which in the end was essentially anti-intellectual, I thought.

It was a brief period. I got there at the beginning of September, after classes had started, and I left in April, before final exams, and went back to Washington.

The best job they could get for me was (I'd been an office director several times before), running the Office of Regional Political and Economic Affairs, the one that runs the European Community and the OECD, plus some COCOM matters. I was pleased and not so pleased. The job itself was interesting, although you're always on someone else's turf. You're handling trade matters in which State is not primary. It didn't seem to lead anywhere.

I found out in the corridors that Tokyo was open: they were looking for somebody to run the Economic Section there. I threw my hat in the ring and, to my surprise, was accepted. I had been in Japan, but really knew nothing in depth about US-Japan trade problems. It took several months to find a replacement for me in EUR/RPE. Roz Ridgway, the Assistant Secretary, wouldn't let me go until she had a replacement. She was certainly within her rights.

I never had a chance to do much in the way of preparation for Tokyo; I was parachuted in there. I had a hard time coming in at a very senior level with no preparation. There was a tendency among the people in Tokyo to say, “Okay, you're very senior, you've got a good record, do it, buddy. If you've got any questions, we'll be glad to answer them. But since you're such a hotshot, you figure out what the questions are.” And I found out, “Well, there's no money to do anything for you in Japanese language training. You can join a class with the Marines.” But I traveled so much and had such work pressures I was unable regularly to attend language class. I made very little progress on the language, which I found discouraging.

We lived in a newly-constructed compound, which still houses almost everybody. I had the top two floors of a middle-rise apartment building. The accommodations were, by Tokyo standards, fabulous. It was a big, modern, comfortable apartment, very suitable for entertaining. But I found I was living in an American compound, with sullen teenagers, aerobic dancing, and Marines playing basketball, bicycles on the lawn, people walking dogs, and Fourth of July festivals. I'm not against this sort of thing, but it's not why I went

to Japan. There were people in the compound that never left it. And living there you were really out of contact with Japanese life. You had all the disadvantages of both societies. After six months, I got over some of my culture shock, and didn't like being there.Then I found that the work in the embassy was difficult. American policy toward Japan was then and still is subject to great tension. You basically had two poles.

One was represented by the Political Section, the Japan Office in the Bureau of East Asian and Pacific Affairs, and the National Security Council, that looked (and I think, in many respects, correctly) not at the commercial and economic problems, but beyond that to the security relationship and the political relationship, and would not allow economics and commerce to dominate the other aspects of the relationship.

At the other end, you had the people who were self-serving Japan-bashers. They were saying, “Look, they've got a $70 billion deficit with us, they've got to buy my products.” Or “Look, we're getting no satisfaction on product X, Y, or Z. Go in there and tell them that unless they do something about it, we're going to do A, B, and C to them.”

The State Department and the Congress had gotten to the point where they no longer communicated. People like Senator Danforth felt the State Department was playing its own game at the expense of American business in Japan. There was some truth to that.

The revisionist school of analysis of the Japanese economy and Japanese international behavior had not yet emerged. I got to know those people in Tokyo. Laura Tyson is one of them. Chalmers Johnson was the pioneer. Karel von Wolfran, a friend of mine who I knew before he wrote his book, taking off from Johnson, has come up with this idea that Japan doesn't really behave like other countries: the structure of the Japanese economy and the structure of Japanese society together are basically exclusionary. Dealing with Japan on the basis of Ricardian comparative advantage, exchange rates equilibrating trade flows over the long term, reciprocal foreign investment in each other, exchanges of science and technology, doesn't work.

I think this is right, it doesn't work. This doesn't mean that the alternatives of managed trade are better. But we had then, and still have, a very severe problem of trying to manage our economic and political relationships with the Japanese. We tend to sentimentalize. Basically, I agree with the major thrust of our policy: Japan is important to us, we're important to the Japanese, and that link is essential. But when I got to Tokyo in '85, we were getting beaten across the board. In any area where you can keep score, the Japanese were beating us, not just trade, but investment, technology, and technology transfer. The gains in all of these exchanges went to the Japanese, not to us.

We couldn't get our lawyers in.

We had this longstanding, nightmarish argument over containers for goods. The Japanese have containers that are slightly smaller than the international containers. International containers cannot be carried in Japan. This I believe, but I certainly can't prove, was designed this way, to keep out the foreigners.

Similarly, their electrical standard is 100 volt. No other country in the world has 100 volt, 50-60 cycle. So they can produce for anybody with 50-60 cycle, including the American market, which has both. They can also do 110-220, 50-60. But Europeans with 50 cycle can't use step-down transformers into Japan, Americans with 60 cycle can't use step-up transformers into Japan.

Similarly, their FM band barely overlaps with ours. So foreign FM sets cannot be sold in Japan, but Japan makes large numbers of FM sets to international standards that sell around the world.

These are anecdotes. The Japanese economy is extraordinarily regulated; everything is regulated. The results of these regulations, sometimes unintended, sometimes a result that was understood and not unwelcome at the time the regulations were installed, impede trade.

Similarly, speaking very broadly, it is a country without the rule of law. There are only 15,000 lawyers in Japan. There are all kinds of impediments to having more. There aren't many courts. It costs a lot to try a case. It takes forever, and you're likely to die before it happens. They have no punitive damages. They don't have a jury system. So on the commercial there's very little recourse to law.

This means that people deal with the people they trust. It takes a long time to build relationships of trust. And, indeed, enterprises tend to congregate into the Kiretsu. Interest groups would coalesce with banks and insurance companies attached to them. The Kiretsu tend to deal with each other, because disputes can be worked out within the family, so to speak. This is a system that basically puts outsiders at a disadvantage—Japanese outsiders first, and foreign outsiders at a greater disadvantage. The Japanese basically believe that if some foreigners have a hard time in the Japanese market, the foreigners should become more Japanese; they should join Kiretsu or form their own. They insist that the main reason that foreigners don't do well in the Japanese market is because they don't try hard enough; they should work harder.

This is foolishness. Of course, they should work harder. We all should. But the failure rate in the Japanese market is extremely high. American companies that have done well have had very deep pockets and gone at it for a long time. It was adversarial exporting, and only into niches where there was no Japanese competition.

Companies like Honeywell have done well in Japan. But they brought in new technology and new products; they did not compete with Japanese competition.

The only company that ever (well, not the only one, but anecdotally) Weyerhaeuser managed to get into the Japanese paper market, a chunk of it, after years of effort, by building a special factory and warehouse, and designing special paper-handling equipment, and meeting the price. They knocked on the door for years and years and did everything right. Finally the door was reluctantly opened a fraction and they were let in.

The area where it all came to a head was on supercomputers. I got to know the trade people who were trying hard to sell supercomputers in Japan.

This is a complicated story. Laura Tyson, in her recent book Who's Bashing Whom?, has a rather complete and good account of it. I wish I'd had as much information to work on in Tokyo when I was there. I had to work on anecdotal stuff.

Seymour Cray invented the supercomputer; had a natural monopoly on it. He was a science wonk from Milwaukee who spun out of IBM and set up Cray Research, which invented the supercomputer and still produces most of them, although the technology has since changed.

The Japanese government had never bought any Cray supercomputers. And, indeed, when I got there, there had been only two of them sold to the private sector, one to Toyota and one to Recruit, which later got involved in the scandal as a result of intense political pressure by Mike Mansfield directly.

The Japanese had many reasons why Cray couldn't sell: the price wasn't good enough; Fujitsu and Hitachi were, by that time, producing supercomputers and selling them. In other words, no supercomputers were ever purchased by the Japanese until there were Japanese producers, then the Japanese producers got the whole market. Budgets were kept small by the research institutions that purchased them. Fujitsu and Hitachi sold at enormous discounts—70 percent...

Cray can't do that. It's not part of a combine. It's a free-standing, medium-sized company that finances its research and development out of current receipts. Cray had been pounding on the door for years and essentially getting the runaround. They also were not well represented from a sales standpoint. They eventually got themselves a Japanese manager as their sales rep.

We had a very intense meeting with the senior Japanese on the supercomputer problem, along about the middle of my second year. Clayton Yeutter was then STR. He came out and we had a formal negotiation.

Q: Special trade representative.

ELY: Yes. Then he became Secretary of Agriculture, and then chairman of the Republican National Committee. Yeutter is an extremely able, fit, strong negotiator. Mike Smith, who was the chief negotiator for STR, was with him. I was there with a couple of others. After we'd had formal negotiations, the Japanese took us to dinner at a traditional Japanese restaurant, in a lovely tatami room, and we started over again. And this time, Makoto Koroda, MITI Director General for International Trade, who was famous for being tough and blunt, quite un-Japanese, said, “Look, you know, we've been doing this for a long time. Let's be frank. You people, and Cray in particular, are never going to sell supercomputers in Japan. You're not going to do it under the present system. You've got to change. Either you nationalize Cray, so you've got the US government behind it, so it can go in and be aggressive and compete with our companies, or you merge it with General Motors or IBM, someone with very deep pockets. Otherwise, you know, you're basically wasting your time.”

I was amazed and shocked by this, and immediately went off and dictated a telegram laying all this out, with a comment on it: “This argument gives credence to those who believe that Japanese companies and the Japanese government seek eventual Japanese dominance in the supercomputer industry.” I passed it around. Mike Smith made a few changes, Yeutter said fine, and I sent it off.

It was leaked in Washington, out of the House of Representatives. George Shultz sent a cold letter to the congressman who leaked it, and there was some heated discussion about whether perhaps the law should be brought down upon him. Shultz said, “Don't be silly. We can't do that to members of Congress.”

Anyhow, the telegram leaked. It is quoted in Tyson's book, and it was clear that I was the author; I was the only one that could have been the author. The Japanese knew that I was not a friend, that I was a critic and, a suspicious and hostile one. I knew that, at that time, my utility in Tokyo had probably ended.

At the same time, I got in a fight with Desaix Anderson, the Deputy Chief of mission. Honeywell was going to market Fujitsu computers to the US Air Force for specialized training simulation exercises. I said, “Well, this is a terrible idea. If, while the Japanese are screwing us on supercomputers, we blithely go ahead and buy Fujitsus by government procurement, why, they're going to think we're not serious.” We should say to the Japanese, “Look, fine, we like your computers, but we'd like to see a little progress on some matters in which we're interested before we make this concession for you on government procurement,” which is not governed by GATT rules, anyhow. Government procurement is generally handled on the basis of reciprocity or unilateral action.

Well, Desaix Anderson said that my telegram laying this out was contrary to policy. We'd made a link between government procurement on one hand, and Cray's trade problems with Japan on the other. And that George Shultz's policy decision sometime earlier had explicitly rejected making such linkages.

I felt baffled. I was not party to that earlier decision and felt that if we went forward, we would be undermining our case. I thought about sending a telegram on the dissent channel. I finally decided not to use the dissent route, which I knew to be mainly employed by sore heads, not serious policy advocates.

Q: Back-channel being a...

ELY: A dissent channel. But I knew it would have ended up in the Policy Planning Staff and the people wouldn't have known what to do with it. It was hard to staff out. So I said,

“Okay,” to Desaix, “You know, you and I disagree on this. As a policy matter, I consider myself overruled, but I think I'm right.”

About that time, I got a call from George Vest, asking if I was interested in going to Brussels to be deputy to Al Kingon, the ambassador to the European Community. I said, in a formal way, “I'd like to think about it.” A few days later I agreed. So two years after I arrived in Tokyo I was direct-transferred to Brussels.

Q: Basically, it was not a happy assignment there at that time.

ELY: Well, it was wonderful, in a sense. I learned a lot. It was extremely active. I opened a window, a new world. I worked very hard and enjoyed my personal contacts there. Learned a lot about Japan, in a superficial way. Without the language, you never go terribly far. It was unique, vigorous, exhausting, exhilarating, but fun it was not.

Q: The ambassador for many years was Mike Mansfield.

ELY: He was my ambassador when I was there. Ambassador Mansfield was an admirable man. He didn't like to talk very much. He had very sure political instincts. He was no longer young at all, nor was his wife. The Japanese venerated him. He stayed above all the trade issues. But, typically, you'd come to the point on a trade issue where you were very close, and the Japanese would go to him and say, “You know, you've got to intervene.”

And he would always say, “Well, just a minute now. If I do anything, you've got to do something too. And we can perhaps together close the gap. But remember, you know, you've got to do more.”

The Japanese would say, “Yes, yes, that's okay.” They expected him to say it, which struck them as fair. But it helped them to go back and say to their people, “See, we talked to Mansfield-san, and Mansfield-san says we've got to do more. Then they'd say, “All right, we'll do a little more!”

Then Mansfield would write a telegram, or I'd write it for him and he'd fix it, saying, “You know, I understand there has been a very tough negotiation. The Japanese are going to do a little more, and if we can do a little more, we can fix this.” The telegram would go out and eventually the agreement would be reached and everybody would be happy, except that the ambassador got the reputation of being kind of the middle-man for the Japanese. In other words, he was running the same technique in the mid-'80s that we had used in the late '70s, and the problems were a lot worse. The Japanese wanted to maintain the pattern of agreements when the Japanese basically didn't have to do very much.

Another problem when we were there. About the time I arrived, Jim Baker put together the Plaza agreement, and the dollar tumbled against the yen.

Q: Jim Baker was the secretary of the treasury at the time.

ELY: The dollar tumbled against the yen, losing very rapidly a substantial amount of its value. I, trained in classical financial comparative analysis, expected that trade flows would eventually reflect this change.

I also noticed, to my consternation, Japanese imports had been growing less rapidly than the Japanese GNP. That meant that Japan was becoming less interdependent. It was not becoming integrated to the world economy, it was separating itself from the world economy. Unheard of! No other modern industrial country has ever gone through a period like that. And when the dollar exchange rate did not produce any perceptible effect, I began to believe that we were really in some sort of a strange world, and that Japan and the United States were not playing according to the same set of economic rules.

This is a theme that was later picked up by a number of people and since '87 has been studied a lot. It is now a general consensus that, yes, it is true, Japan doesn't march to the same drummer. However, the argument that we therefore need managed trade doesn't follow either. We've got to get the Japanese to do more, we've got to do more ourselves,

et cetera, et cetera. I think I buy that. I've been thinking, since I left Japan, about what to do about a country that systematically puts its best talent, technology, money, capital, management into exports, with a system that operates across the board to exclude imports except where strategically necessary, where they complement the strengths and penetration power of the Japanese economy.

Now this analysis itself is being somewhat overtaken by events as Japan and Americans go into more joint ventures, where Japanese failure in the fifth-generation computer becomes clearer, where you find that Hitachi and Fujitsu have been chasing their white whale, IBM, down a blind alley (IBM is in trouble, and they're probably in trouble too), when Japanese trade surpluses really don't seem to make a hell of a lot of difference, and the Japanese economy is in deep trouble. Not as deep as some people say, but still they've been having big financial problems. And the natural advantages of much lower cost to capital is disappearing.

We're coming into a new world, where Japan is no longer about ready to elbow the Americans aside to the number-two position in the world economy by the year 2000. Still, handling Japan remains a very serious and difficult job.

Jim Baker really never paid any attention to that problem, mainly because I don't think he had anybody who could do it for him. And the problem is going to come back again.

Q: Today is April 22, 1993, and we continue. Mike, you went to Brussels from '87 to '90. What were you doing?

ELY: I was deputy chief of the US Mission to the European Community. As I mentioned during our last conversation, because of the supercomputer episode I thought that my utility in Tokyo was going to be restricted. When the director general of the Foreign Service asked if I was interested in becoming deputy chief of the US Mission to the European Community, I decided, yes, this was probably a good thing to do. Also, I found working

in Japan strenuous. I enjoyed it and found it stimulating, but it was a struggle. Each day, every day was fight, fight, fight, either within the embassy or with the Japanese.

Q: One question about with the Japanese. Did you find that you had to go out a lot at night to sort of business dinners and things like that? I speak from my experience in Korea, and these were a little bit difficult, because it meant a lot of heavy drinking.

ELY: With the Japanese it was not the same. American businessmen had to do the drinking business, both the locally resident and the visitors. We foreign officials were considered in a different category. We had to participate in all kinds of official entertaining, but not in going out, eating and drinking and taking our hair down with our Japanese counterparts. So that part of the work was not particularly onerous.

However, I became friends with Karel von Wolfran, who was one of the founders of the revisionist school of analysis of Japan. I found that I was then, and am now, in full agreement with von Wolfran in his characterization of Japan as a country where everybody collectively and nobody individually is in charge. Dealing with the country is very difficult. An individual can hardly engineer a common appreciation of what he's trying to do among people whose agreement will be necessary for decision. Accordingly, you end up chipping away with individuals and making very little progress.

I found it (and I'm not the first) quite a frustrating experience—Bill Clinton being the latest member of this club, with the Japanese saying yes, but they really mean no. The Japanese are very embarrassed by that but know there's some sort of American truth in it.

Anyhow, I left Japan after two years, glad to have been there, wiser, maybe a little bit sadder, and went off to Brussels.

And that was a different kind of sad experience.

I was told by the ambassador to whom I was reporting that I could not take any time in transit, I had to come immediately. I took two days leave. When I arrived in Brussels, I was met by a junior member of the mission, went home and a telephone call came in from the ambassador's secretary: Was I planning to come in right away? I did. And that began a long process, which I don't think is appropriate for me to go into.

Q: Well, I think it's interesting. I don't want to overpress you, but I do want to press you a bit. We're trying to get not just the foreign relations, but how the system works or doesn't work and all that. So, however you feel. Who was the ambassador?

ELY: His name was Alfred Kingon. He'd been the secretary of the White House Cabinet committee on the economy. His successor was Eugene McAllister, who's just leaving as assistant secretary for economic and business affairs in the Department of State. Both men are quite difficult and are not thought to get along very well with other people, or be effective with them.

Kingon was parachuted into the job [in Brussels]. He was the second political appointee to have that position. It is not suitable for political appointees. Foreign Service officers say that about all jobs, but this particular one it is true.

Q: Yes, I would think. I mean, you're dealing with a big bureaucracy, one where you really have to know the territory.

ELY: That's right. Your political connections in the party do you little good. Your ability to understand and express complicated ideas, to be on top of a whole series of areas where the US and the European Community were interfacing—trade was the most important, but there were lots of others—transportation, finance, regulatory considerations, trade rounds—and to penetrate the complicated European institutional structures, to understand them and become influential with the Europeans, is very difficult.

George Vest, who was the ambassador minus two before, although not a specialist on economic matters in any respect was very effective. He'd had political skills with people, understanding them and getting their trust, conveying to them ideas and situations. Vest was also an intellectual who could win their respect.

Kingon had none of these abilities. He's an extraordinarily insecure man. He trusts no one. I thought I could gain his trust over time by being responsive and by being unthreatening, by being loyal. But this made no difference. In his eyes it made me more dangerous. It meant that I was being very skillful in trying to conceal my true purposes.

He changed his mind all the time. He would bring the staff in and make elaborate plans for travel programs, and then scrap them. Or the night before he would leave, he'd start making telephone calls to his secretary to change the reservations. She would change them several times. The next day, he'd decide not to go.

Kingon was both very insecure and self-important. He considered himself an extraordinarily important person, and wanted to be treated that way. At the same time, he was obsessively suspicious of his two ambassadorial colleagues in Brussels—the bilateral ambassador and the ambassador to NATO—and saw in everything they did elaborate schemes to achieve procedural preeminence over him, and of their missions over our mission. He would have nothing to do, in substance, with the other two chiefs of mission, and he forbade or would try to restrict contact between our staff and their staffs. A bad idea, I thought.

Q: Yes. Well, how did this affect the staff?

ELY: I tried to be the buffer between the staff and this strange and difficult man, who had the habit of calling all the section chiefs in several times a day to have long meetings to discuss his travel plans or his social schedule, at the expense of their work output.

Indeed, one of the small fragments of guidance I got from Washington was that they hoped that I could get the work of the mission back up to snuff; it seemed that everybody was spending their time in meetings. It turned out that there was something to that.

I was not successful. For a while, I blamed myself. I now think that it was mainly the person that I was dealing with.

It was one of these classical no-win situations. If you try hard, you are interfering, you are taking over his prerogatives and getting on his territory, and you become threatening. But if you pull off, then you are derelict in your duties, you're not on top of the job, and you should be replaced. Either way, you could never get it right.

The more senior the people, the poorer his relations with them. He got on best with the younger officers, whom he would bring in without the participation of their superiors, the section chiefs, and have long talks with them about the work of the section, trying to get complaints from them to find out what they thought could perhaps be criticized. These were good young officers. They were puzzled and troubled by this process, but by and large, they did not get taken in by it.

Anyhow, Ambassador Kingon fired his DCM, his secretary, his gardener, everybody he could fire. He fired his social secretary, his housekeeper. He would screw up the accounts and then accuse his housekeeper of having mishandled them. It would have been amusing if there weren't people involved and livelihoods.

It was a bad period, probably the most disheartening period I ever had, professionally. There seemed to be no way out of it. I was at the point where I was ready to quit, and he was dissatisfied and ready to fire me. We tried and we smiled weakly at each other. He never took me into his confidence, and he would seldom accept any advice I gave him.

For example, he used to write bad telegrams. He wouldn't take people along with him when he would go out calling, and he was not a good writer. He prided himself on his

writing, because he'd been editor of some financial papers in the New York financial area, but he wrote in a very inchoate, disorganized way. He would send these telegrams off to State, for Shultz, the Under Secretary for Political Affairs, and Under Secretary for Economic Affairs; to Treasury, for the Secretary and the Under Secretary for Economic Affairs; to the White House, for various people, for the vice president and the head of the NSC. And after a while, I said, “Well, you know, that's not really the way it's done. You can slug your telegrams, but you have to be careful, because very senior people don't read telegrams. That's done by their staffs.”

His answer was, “Look, you don't know anything about this. You've never been a senior person like me. You've never served in these high levels. So, come on, don't give me your advice. Your advice is incorrect. It is not wanted.”

So I stopped giving him advice.

Meanwhile, these telegrams were being put up at the Operations Center as jokes. This guy thought he was sending them all over the US government with the idea that they were going to be read avidly by those senior people. He would put on 17 slug lines.

After a while, he began to complain that he wasn't hearing anything from the recipients. And once again, I said, “Well, very senior people don't read telegrams, or very rarely. They have staffs that read telegrams for them, and bring to their attention, usually in memo form, sometimes sending in the telegram, those important items that require their attention.”

He never acknowledged any merit to this argument but after a while reduced the number of slugs and stopped covering the ridicule, to some extent.

He had been lined up with a member of the European parliament to make a protocol visit in Germany. The day before, he canceled, leaving this fellow high and dry, who begged me (I don't speak a word of German) to come along as a substitute. I did and had

a wonderful time, learning a lot about Germany. He had to keep introducing me as an ambassador. I would say, “But, but...”

And he'd say, “Mr. Ambassador...” and I had to help him out.

Ambassador Kingon was invited to a big conference by the European University Institute in Florence, to discuss US-European Community relations. He canceled at the last moment. I went down and covered for him on that.

This was a behavioral pattern.

He didn't get on with the US-European Community Association. He didn't get along with the Atlantic Visitors Association. These were both American-sponsored organizations. He always wondered what their basic motivation was, why they felt that they could include him in their plans without his permission, et cetera.

He was not a wicked man or a bad man. He had a handicapped son to whom he was devoted. His wife and he had a close relationship. But basically he was a person so deficient that if I didn't dislike him so much I would pity him. An inferior person. Not unintelligent, with enough intellectual capacity to make him intrusive and unpleasant. You could not disregard him. He was untrustworthy, suspicious, poorly educated. He could not acknowledge that he didn't know anything, that there were areas that escaped his knowledge. He was always lecturing people on how wise he was and how much more he knew than other people.

He gave me two wretched efficiency reports. There was nothing I felt I could do about it, just litigate with him, and I was not going to do that.

After Reagan was defeated and Bush came into office, most people thought that he would leave. He didn't. He stayed on and on. It became clear that he wasn't going to be asked to remain, but he didn't leave. Eventually, this became the subject of some merriment. He

allowed, well, he didn't know whether he was going to stay on or whether he would take a big job in the next administration.

Eventually he called everybody in and, with his usual tight little smile, said, well, he and his wife had been talking this over and decided that they had put up long enough with this official business. They were going to really put down this burden and go back to private life, with a sigh of relief. Lies, lies, lies. Quite characteristic.

He'd put together an arrangement with one of the public relations firms there, trying to play this period of representation into a substantive career. I think he got there halfway. Then his lack of skills with people eventually caught up with him. The last time I heard, he'd changed three secretaries in his tiny little office in New York, where he had an associate arrangement with a public relations firm.

Anyhow, that was a bad time. He eventually left and was replaced by his opposite, Thomas M. T. Niles, one of the best of our professionals.

Q: My problem with Tom Niles is that he was a junior officer with me in Belgrade, serving what I believe was his first tour overseas, and I always think of him as a young kid, just learning the trade.

ELY: Well, he still kind of acts that way, except he's got a photographic memory that works 12 hours a day. He is absolutely straight. He is honorable, good humored and energetic.

Q: Well, Mike, before we go to Tom Niles, let's talk about the Kingon period. Normally, the system works so that if you get a real klutz for an ambassador, career or non-career, which can happen either way, there is almost a self-sealing thing, where people take over around the ambassador, reports go back that maybe he or she doesn't see, the word gets out, and the work basically gets done. And not just with the Department of State, but with your opposite numbers and all that. Did you see any of this, or was he sort of running around so much that it was very difficult to do this sort of thing?

ELY: Well, he was very suspicious of anything that went on without his knowing about it, and I didn't feel free to do matters that might be questionable.

For the first year, I was very active as the DCM in representation, getting around. And people, such as the Israeli ambassador, who couldn't talk to Kingon got to know me well. I got to know some of the senior people in the commission. I couldn't really deal with the Commissioners; it wasn't appropriate that a number-two guy do that, and that would also upset Kingon. After a year or so, however, I must say I got discouraged. He didn't like that; it made him uneasy. He didn't try to stop me, but the more active I was, the more problems I had.

Q: Things have sort of simmered down, but they seemed to be building up to a crescendo, with the European Economic Community turning into a superpower. And the United States' relationship with that superpower were hypercritical.

ELY: Well, that's true.

Q: So what was happening?

ELY: Well, you've got to remember that the assistant secretary for European affairs was Roz Ridgway. Roz is a very intelligent, principled person. She's a NATO loyalist, and she never really has thought much about the European Community. She doesn't today. She considered this essentially an arrangement among Europeans, for Europeans, which could have benefits for them, but which would have few for the United States, and which could also have a capacity for mischief. So she never thought that the position was terribly important. She had Kingon's number; she wouldn't pay any attention to anything that he said or did, which was correct. The EC was very low on her priorities.

She was, at the time, virtually destroying her health in her attempts to keep the NATO alliance up and functioning. She was living in the period after the deployment of tactical

nuclear weapons, which almost wrecked NATO. And she worked herself almost to death in support of the ambitious and difficult campaign that we'd run with the Europeans.

So EUR was not particularly either concerned or sympathetic with my plight. I got winks and nods occasionally, and that was about it.

Q: But what was happening was the system then was saying, okay, just disregard this guy and really everybody else there, and we'll go our own way.

ELY: I tried to help the staff, which is full of capable officers who knew well what they were doing. The Economic Section was a mess, but the officers who were assigned to it were good. By and large, the work got done. Some initiatives were on our side, some were reactive. But as the EC-1992 suddenly loomed out of the fog, our response was to get everybody a personal computer, with word processing capability. And we doubled the output merely by applying technology. By the time I left, USEC was, from the standpoint of reporting, the most productive post in the Foreign Service. That is because it didn't have a Consular Section or have an Admin. Section, or any representation. USIS was very small. All we did was negotiate and report. And we were very good at that, and still are.

Anyhow, when Niles came, it was totally different. While with Kingon, I was in one kind of a no-win situation, with Niles, I was in a much better one, but it was also no-win, because he's so good he doesn't need anybody. Initially, he would take me along on some of his calls, and I would do the reporting telegram. I found that he could do the reporting telegram better than I could. I'm good; he's better.

He arrived there in August and worked 11 hours a day, which was his normal day. He'd get in at eight and leave at seven. His secretary would get in at seven so everything would be ready for him when he got in at eight. I explained to him that August, when everything was closed down there, was normally a time when people would slacken off a little bit. He smiled and thanked me and continued his eleven-hour days, which turned out, of course,

to be very sensible, because, while the Commission was not working, there were lots of things for him to catch up on. He did that during that period.

He was a joy to work with, except that he didn't need a deputy. You could almost abolish the mission. He was so good on each of the issues, having a photographic memory (he really does have a photographic memory, incidentally), that he could digest and master almost any issue, pick out the critical points, and handle it extremely well. These were bravura performances that I found impressive.

In addition to that, he as a person is honorable, and friendly. A little bit distant, in a sense. He would never drink too much or tell you a dirty joke, which is good in a way, but you never really felt that you were terribly close to him. But this is not criticism; I admire him very much.

I was disappointed to see the rumor this morning in the paper that he's going as ambassador to Sweden. I don't know what the Swedes are going to do to keep him busy. He could handle Germany very well. Niles was put in charge of the Office of German Affairs back in the early '70s, when Germany was...well, it still is extremely important, but when GER was perhaps one of the most important offices in the Department of State. Niles took early-morning German so he could learn to speak the language, which he proceeded to do within a year or so. So now he speaks Russian, Serbo-Croatian, French, and German.

Q: What were the major issues that you were dealing with, with the EC?

ELY: There were issues over which the mission had very little control. The central one of these was the Uruguay round and the hesitation waltz between us and the Europeans on how it was going to be put together. The trade negotiators on both sides tended to dominate this process. Working with trade negotiators is difficult, and working with European trade negotiators is even more difficult.

You probably are aware of the way that these negotiations take place. Both sides send forth their negotiators, who are very tough, smart people who know the issues, and who each seeks to out negotiate the other or to beat the other. They often have old scores to settle. And they will battle over symbolic points as well as substantive points. The negotiators go at each other for a long period and eventually they come to a point where they can go no further. Each goes as far as he is prepared to go and feels his or her instructions permit him or her. And at that time, the political people step in and say, “Okay, you fellows have done all you can. Strike a deal.” Then it normally happens, except for the Russians. With the Russians, you try to strike a deal, and of the distance that's remaining, they want to take it all and you take nothing.

For the Community, there was nobody to step in. The negotiators reported to the Commission, who then reported to the Council. There was nobody who was accountable for the success or failure of the negotiations, as there was on the American side. Indeed, finding accountability on the European side was always difficult, and this caused resentment among the American trade negotiators.

Meanwhile, among the Europeans, there were negotiators, particularly some of the old-timers who'd been around in the '60s, for whom the test of manhood was the ability to hang one on the Americans and out negotiate them.

So there was always a lot of static among the trade negotiators. And even if people had good instructions and wanted to come to an agreement, these old animosities tended to make simple things difficult. And both sides, looking ahead, would put a lot of symbolism on solutions to simple problems.

We had one on EC subsidies on pasta, as a manufactured agricultural product. Since the EC internal prices for durum wheat are higher than world prices, the EC claimed the right to subsidize pasta exports to make up for the price differential. We contested the whole idea, it was a manufactured product primarily, not an agricultural product primarily. We

negotiated for months over how the subsidy was to be calculated and how it was to be monitored. We were being fairly fastidious, careful, untrusting and stubborn, while the Europeans were being devious and less than candid. So that the negotiators were trying to outsmart each other. Now in this atmosphere our negotiators were reporting right back to USTR...

Q: United States Trade Representative.

ELY: That's right. So the negotiations were 80 percent out of our hands. And the European negotiators were reporting back to their faceless bureaucracy.

I was surprised and troubled by the fact that little things like this that I thought should be quickly resolved could not be resolved. And it was not in the power of the mission to do much about it.

In addition, as the deputy chief of mission, I was responsible for the administration of USEC, as it's called. USEC had no administrative section of its own. The three missions shared the combined administrative section called the JAS (Joint Administrative Support) Section.

NATO, in point of fact, also had a military administrative section, because it was a joint mission. And the military, boy, they took care of their people in a way the State Department never dreamed of doing. I don't want to exaggerate that, but we had continual problems.

The JAS was dominated by Flemish nationalists who were entrenched. There would been periodic scandals there as these entrenched people eventually...

Anyhow, these guys really thought the ambassador from Belgium was the real ambassador, and that my ambassador wasn't a real ambassador at all. He had the title, but he didn't have a country and he didn't know the King and Queen of Belgium. We

consistently came off second or third best.This was a problem for me and it made my life unpleasant, because I was always negotiating with the JAS directorate. They always tried to cut us back, and they refused to acknowledge that what we were doing was important. Well, I don't think they knew or they cared to know what USEC did, which was infuriating. What we were doing was much more important than the bilateral embassy, which had little to do, particularly after the short-range nuclear weapons issue had been settled. We had almost no diplomatic business with the Belgians, while NATO was a world rather apart and didn't really depend on JAS. But we couldn't get very much from those people. And Kingon was such a loose cannon. Well, they would get to him and complain to him about me, that I was being unreasonable and pushy. Well, I was not. If got tough on the budget, that was a problem, if I didn't get tough on the budget, that was a another problem. It was a variant of the no-win scenario.

Anyhow, when Niles came, he immediately straightened those guys out. He'd say what he wanted. He didn't ask, he didn't even listen to their response, he just did it. And they said, Yes sir, and soldiered on, because they knew they were up against somebody who knew what he wanted and was going to get it. And he wanted it not for prestige, but in order to accomplish his mission, which he then proceeded to do superbly.

Q: Mike, you were there dealing with European affairs on the economic side at the time of the collapse of the Soviet empire. Eighty-nine was the great year of everything falling apart, and that had to have very strong reverberations in the EC and on what we were doing. Or did it?

ELY: Well, it did. In the Versailles Summit of June '89, as the East was coming...

Q: This was the economic summit.

ELY: The G-7.

Q: Which was major nations.

ELY: Yes, Mitterrand hosted it at the Arche in Paris, and put on a big celebration.

Q: Because it was the bicentenary of the French Revolution, the fall of the Bastille and all that sort of thing.

ELY: That's right. One of the main substantive results of that summit meeting was the decision to coordinate all aid to Eastern Europe—Eastern Europe initially, and eventually others of the ex-Soviet Union—through the European Community. All the European member states plus the United States agreed that we would work together jointly. This was done in part for reasons of efficiency and in part because the United States didn't have a lot of money, didn't know quite what it wanted to do, and felt that basically this was a European responsibility that would be best, at least in the first instance, assured by getting the Europeans to be formally responsible for it.

By that time, the EC-92 exercise was fully underway and the early fears of Fortress Europe were beginning to recede. We did a lot of indirect work on Fortress Europe.

Q: Would you explain what Fortress Europe meant?

ELY: Yes. The Europeans, as early as 1985, had decided that they would take the measures envisioned in the Treaty of Rome to form an economic union, and this they would do by the end of 1992. They didn't get agreement among all their national parliaments by '86, and the program didn't begin, in a serious way, until '87. Even then, it was hung up by the disputes among the Europeans, but particularly the British, over the budget and the financing of the agricultural program.

In Denmark, in the spring of '88, these issues which had been plaguing the Community for years were suddenly solved and fell away. People immediately turned to constructing the single European market, the unified market, with a target of implementing several hundred directives by the end of 1992. This involved basically converting the European Community into a single market for labor, goods, money, and people, which is a fairly complicated

business. It involves dismantling of impediments to movement within the Community for these four factors. Indeed, there are still a few obstacles to the movement of people. For example, the British won't let European Community citizens in unscreened in Dover, for reasons that I can understand.

The immediate reaction was, well, gosh, if the Europeans are going to turn the EC into one market, very much like the United States (the single market is as unified a market as the American; in some respects more so), how will this be done? When they have to make a decision about whose ox gets gored; will it be the foreigners, or an open system?

By and large, under the influence of the Germans and the British, the single-market exercise was liberal and outward-turned. There were and still are several areas which cause acute concern in Washington. One was the financial services directive, in which the Europeans initially specified that they would require reciprocal treatment in order to give liberal treatment to foreign banks and financial institutions. The use of reciprocity in financial services was bitterly resisted by the United States. Our Treasury has always held to the principle of national treatment: you treat foreigners the same as you treat your own people, and because of regulatory prerogative, you don't talk about reciprocity. For example, the states in the United States have considerable authority over banking and insurance. We could not give mirror-image reciprocity to the Europeans. They could take away access to their market on the argument that their access to the United States' market was impaired by the states. The Europeans winked and nodded and said, “Well, they were really basically aiming at the Eastern Europeans, the Chinese and the Japanese, not the Americans.” That may have been true, but American banks were acutely concerned about the principle and the practice of this directive. Sir Leon Britton, who is now negotiating with Mickey Kantor, was the competition commissioner who had a big voice in framing this directive. He eventually intervened and watered it down to the point where there was a fig leaf of reciprocity but in such a way as to assuage the fears of the American financial community. Both sides seem to have come out all right.

There were several other issues, including European local content requirements for certain electronic components, particularly semiconductors; flirting with various kinds of industrial policies that took place (they were never actually implemented, but they appeared to be in the process of formulation); the fact that the Community maintained very substantial tariffs on electronic goods when we and the Japanese had gone to zero tariffs (this raised questions about their intentions).

On television broadcasting, the French pushed for and achieved the principle of national or European quotas, to assure European content to television broadcasting, a measure which we found both insulting, because it gave, say, the Portuguese better coverage in Europe than the United States, and protectionist, because it seemed aimed at the enormous quantity of movies we have stored away and which we were selling to the Europeans; and to reflect a French idea that American culture is basically bad, and Europeans should be protected from it and its corrupting nature by trade barriers.

Jack Valenti, the very powerful head of the Motion Picture Producers Association, visited Brussels several times. Dealing with Valenti is difficult; he's a very deft and skillful political operator with no particular interest in US-EC relations.

Meanwhile, the Europeans kept telling us, “Well, look, this is better than the 12 national systems that its replaces. The intent is not protective. We had to compromise somewhere. We went a long way toward your viewpoint. This is going to do you a lot of good; it is not going to hurt you.”

Then Valenti would come back and say, “Well, on the principle, we refuse the idea that because films are made in the United States they might be excluded on the basis of geography from the European market.” Both sides have merit in their argument. It still has not been decided.

At that time, the Europeans were debating about government procurement. This has turned out to be the issue that Kantor and Brittan are now trying to work out among themselves.

It's an interesting example of, on the one hand, the American side rejecting the Europeans writing into their 1992 directives a small amount of exclusive protectionism. They'd always had a lot of protectionism, but none of it had been explicit. It had all been informal, in government procurement. They didn't have rules like we have such as “Buy American.” On the other hand, they never bought anything from us. We had rules about how, with certain kinds of contracts, we provide advantages to American bidders. So the Europeans didn't win many contracts, but they won some. So they were basically doing better than we were: our sellers never won any.

They wrote this provision into their directive, and then offered to negotiate, to try to get rid of the “Buy America” stuff. This is trade negotiator footwork. They gave themselves a crowbar to pry open the American market, but they dared to be closed all these years. In these circumstances, it is very easy for both sides to become patriotic and assertive in defending their claims against the unreasonable foreigners.

This is, again, an example of small issues that, because of the footwork at the staff level, tend to escalate and become difficult to solve.

Similarly, the president reopened the Airbus issue.

The Airbus issue goes back a number of years. The Europeans basically shot their way into the international civil aviation market by heavy subsidies to a consortium of European suppliers that manufacture the Airbus. They did this in a way that was closely linked to industrial policy. They wanted the advanced technology that goes into making civil aircraft, as well as a part of the civil aviation market. It played to constituencies in France and Germany that were very strong. The Europeans just went ahead and did it.

Eventually, last July ['92], after years of negotiations, we came up with an agreement in which neither side agreed to the merit of the other's arguments but at least it settled the situation.

The president reopened that in February ['93], in Seattle, when he accused the Europeans of causing unemployment in the American aerospace industry. A lot more unemployment came from the depressed state of the worldwide air transport industry than from Airbus. But also, he [Bush] settled that thing last July and he [Clinton] reopened it in February, accusing them of the same things that we'd been accusing them of over the years.

They responded with the same arguments, that we had been cross-subsidizing from our military programs, which gave us an overwhelming advantage.

We said that they had put in $36 billion in subsidies, a figure that they contest and have American lawyers employed to contest a figure that they contest vociferously.There we were the way we were a year before, yelling about the figures and who struck whom until we agreed to put the whole thing to bed and go on to something else.

Q: As you were sitting sort of at the hub of the economic thing, looking at overall Europe and all this, were we getting intimations of basically the economic collapse of the Soviet Union?

ELY: Certainly not in Brussels, not where we were sitting. The Community at that time didn't even have an office in Moscow, and had no formal mandate to look at the Russian economy. We did pick up a lot from their visiting missions. They would go to Moscow to talk about various projects, or to Warsaw, Prague, or Budapest. There were exchanges, impressions, and information, but none of this was strategic.

There was the beginning of talks on Yugoslavia which was falling apart when I left.

The one big politically macro question that we did get mixed up in was the preparations for the intergovernmental modifications of the Treaty of Rome that took the form of the Maastricht Treaty, signed in December of 1991. The preparations for that were underway in 1990 when I left Brussels.

It involved essentially a two-track process of negotiating a Franco-German idea of an economic and monetary union, with a timetable, procedural steps on how this was to be arrived at, and a flanking set of measures which would lead toward a union with responsibilities for foreign policy and security and eventually defense.

Our colleagues in the NATO Mission were already getting uneasy about the defense aspects.

This is the one substantive issue that I'm still mixed up with today in my retirement activities with the Monnet Council.

The NATO alliance is probably the most successful alliance of its sort that we've ever experienced. And over a period of 40 years, the Department of Defense and the State Department had put their best people and their best efforts and a lot of money into making that alliance work. We provided people, leadership and money, but we were also careful not to dominate, not to run it like a bunch of Russians. We had and have an old-boy network, a unified command establishment, experience in working with each other, relationships of trust and understanding that have been built up over the years. And, indeed, NATO had turned into a really major asset for the Europeans and for the United States.

The only problem is it has no purpose. It has nothing to do now. It has succeeded. The reason for its establishment—that is, to counter the Soviet threat—has now disappeared; the Soviet threat is gone. There are other threats, different kinds, to which NATO barely responds, in some respects.

In 1990, my clash with the NATO loyalists in the State Department began when I sent off a telegram, with the encouragement of Ambassador Niles, saying that, Europeans were moving down the 1992 road, they're going into a Maastricht unification process, and sooner or later, they were going to come up with an idea for their own security and defense establishment. This was a long way down the road, but we should understand that it was coming. It would be a mark of manhood for a European Union. So when the Europeans start saying that they wish to develop for themselves a defense identity, we should understand this as a legitimate culmination of what the Europeans have been doing for a number of years, and the culmination of a policy direction in which we have either acquiesced or where we've encouraged them to move. In other words, a separate European defense identity linked to or even within NATO was something we should be thinking about.

Well, this turned out to be right, but the timing was off. The telegram never received a reply, and, indeed, the lack of a reply was emphatic. I had said something that nobody wanted to say, that the Europeans might want to get together a caucus within NATO, that they might want to eventually put together some sort of arrangement within NATO. The NATO loyalists were appalled at this idea. In other words, the thought was good, but it went to the wrong people.

Q: Well, you left about when?

ELY: I left in September of '90.

Q: How did you make your transition? Did you figure out what you wanted to do?

ELY: Well, I knew that I was probably going to retire the next fall, on time in grade, since I hadn't gotten an ambassadorial nomination of any sort. I recognized that after Tokyo and then after this telegram that I'd sent, saying indecent things (which are particularly bad when they're true), that I didn't have any friends in the European Bureau. So I decided,

well, might as well be realistic. I got back and there were no jobs. It didn't surprise me. It made me a bit wry, because, you know, I know a lot about international economics, more than a lot of people that are doing it. But I was perhaps too proud to ask, and I was getting no offers. And so, when a think tank at the National Defense University actively recruited me, I figured this was probably a very good transition place to learn new ways of acting.

Anyway, I went down there and spent a year getting ready to leave. I didn't have a lot to do; I didn't have any formal duties. I worked eight hours a day and turned out a number of memoranda, but I was way, way down the line. I actually had the assimilated rank of colonel, I think GS-15, which was way under my personal rank. But I understood that, down there, you don't complain about your personal rank. You accept it. You don't take it and then complain about it afterward. So I learned to use a word processor, which was a good thing. I'd had a personal secretary for 25 years. And I learned to think of myself not as a cog in a larger system, but as a person in my own right. I went house hunting and re-Americanized myself. By and large, that turned out to be not too bad an idea. It worked out all right.

Q: And then, just to give a final thing, you went into what?

ELY: Well, I'd received my telephone call in January of '91, saying that I was being retired for time in class in September. I wished I'd been able to stay on a little bit longer, because of the extraordinary pay raise that took place on the first of January, which I got nine months of. It would have increased my retirement by a very large amount.

I was approached in the spring of '91 by a former ambassador to the European Community; would I be interested in becoming the executive director of a small, nonprofit organization dedicated to the work of Jean Monnet, the father of the European Community, who had the vision of a united Europe in transatlantic partnership with the United States, an idea that I always felt had an element of truth to it that could not be denied. I still believe that if the world is to become a better place, it's going to be largely

a function of the ability of the Europeans and the Americans to cooperate to make it that way, to pull in the Japanese, and to handle Russia and China and the emerging problems and threats.

Well, I was totally unprepared for that kind of a job. I've never been in the private sector. I don't know anything about fund-raising; I'm not good at it. I can write good memoranda and do excellent analysis, but it wasn't clear and it's still not clear that this is what is required for that particular job. And the pay was uncertain; still is. But it had the great advantage of having me work with people that I know and like and admire, on work that I find agreeable, congenial, which I think has significance.

I'm not sure the organization's going anywhere. I've been with them for two years now. It has kept me in the circuit, and I don't regret it for a minute. I may, in fact, however, just go into full retirement before too long and do the things that I said I was going to do; that is, learn German and take voice lessons, divorce myself from the Foreign Service and lead a completely different kind of life.

Q: Well, one last question, sort of going back to the EC period, and it's just a fill-in. Where did Canada come in on this? I always think of one of the great themes that I try to explore when I'm doing these oral histories, negotiating with the Canadians, which seems to be a particular problem all the time. And I was just wondering, did Canada fit into the EC thing at all?

ELY: Well, first of all, when Tom Niles came to Brussels, his previous post had been Canada.

Q: Ambassador to Canada.

ELY: He had been witness to the negotiation of the US-Canada Free Trade Agreement (FTA), which was a traumatic experience for the Canadians and still remains controversial in Canada. It was extraordinarily difficult on the American side to negotiate, because of

the continuing conflicts within the US government about how everything was supposed to work.

The Canadians in Brussels had a mission almost as large as ours. They were very active. The Canadians had, off and on, been trying to play a European card, because of the predominance of the United States in their foreign economic and political relations. By the time of the FTA, it was quite clear that they were no longer counting on this particular card, because they'd already made a decision to go toward closer relations with the United States.

So the Canadians were a diffident bunch. As always, their diplomats were very good.

I found the Australians much more abrasive. The Australians were among the leaders, in the Uruguay round, of the agricultural countries that attacked the Common Agricultural Policy.

And the Canadian mission was full of people who were bitter about the cynicism of the Europeans in the way that they ran their agricultural affairs. The Canadians had much less of the commonwealth ideal that they were basically Europeans like the Europeans. The Canadians didn't like the Common Agricultural Policy, because they're big grain exporters, but they would often direct their ire to the United States. When we would counter European export subsidies, the Canadians would blame us rather than the Europeans. They'd blame the Europeans, too, but they basically threw both of us into the same pot, while the Australians made a clear distinction and would anathematize the Common Agricultural Policy in a way that I found bracing and pleasant.

The Canadians worried about Fortress Europe the way we did. They looked with diffident envy at the special arrangements we had with the Community for consultations, where the Secretary of State would drop by after the NATO ministerial in December, and we would get the occasional presidential contact. There would only been one presidential visit before I got there. That was Jimmy Carter, back in 1978. Bush was a good Atlanticist; he

understood the Community, he was all in favor of it. Bush sort of told his staff, let's do this, and visited the Community in 1990. That was a small triumph for those on both sides in trying to get the two organizations together.

Working out relations between the United States and the Community has been a torturous task. First, you had EC-92, and then, from that, the prospects of monetary unification, and from economic and monetary unification, you need some sort of political mechanism. With Maastricht, it looked as if Europe was going to be moving toward some sort of federative system. And it raised the ideas: how are we going to work together? How are we going to cooperate? And in the background, was this smoldering problem of defense and the desire of the American side, particularly the Department of Defense people, to keep NATO intact as an instrument of US-European relations.

With the impact of the Danish referendum a year ago, which turned down Maastricht, the falling away of British support for the treaty, the German preoccupation with the problems of unification and second thoughts about monetary unification, the fact that Italy is recreating itself before our eyes, and the French have turned out Socialists in a massive vote of no confidence. Meanwhile Mitterrand is aging and ailing, Europe is in a period of depression and drift, and it's easy and tempting for us to say this is the time for us to reestablish the special relationship with the British, pull the Germans away from the French with their protectivist agriculture and their residual and automatic anti-Americanism, to reestablish our positions with the major European powers, and to disregard the European Community, which seems to be going nowhere.

I think that would be a major mistake. In our own way, the United States needs a unified European Community as much as the Europeans do, for rather different reasons. We need a responsible, accountable and reliable interlocutor to handle such questions as: What do we do about Russia? How do we reform the world trading system? What do we do about environmental questions? What about transnational issues such as proliferation of weapons of mass destruction, migration issues that national authorities can't handle,

a whole series of present and potential problems that cry out for cooperation between the United States and a united Europe—about the same economic size, about the same population, and with a rather different set of democratic institutions and traditions, but traditions that fit nicely with ours.

The United States is no longer in a position, nor should it be in a position, to provide single-handed leadership for the world. We need to work out, with our friends and allies, the kind of world that we're looking for. George Bush had a vision of this. I'm sure Clinton is going to end up moving in exactly the same direction.

But this is not American hegemony, this is not American ideas being sold around the world. We're going to have to go into a long process of back and forth. And our principal interlocutor in the first instance, will be the Europeans. Unless we can work it out with the Europeans, I don't think we're going to have much luck with the Japanese.

If we can finally get the Japanese to come in with the two of us, then we'll be in a position to start saying, liberal democracy is what we want, an open world is what we want, and this is what the necessary reform is going to be: we want to talk to you about it before we impose it upon you. We are no longer going to put up with the lack of legitimacy of these countries in the Third World that are trying to manipulate the world system. We want a system that is more just, less bloody, more peaceful. And I think we can do it, with the Europeans, also.

I am fascinated with Monnet's ideas of the use of innovative kinds of federalism and federal structures to reduce the inherent characteristics of the nation-state. Monnet considered the nation-state to be responsible for much of the disorder and bloodshed of the modern era. He saw the European Community as a first step, and only a first one, in moving away from the nation-state system toward a system of federated institutions based on common objectives. This idea remains good. The Community is the one area that has not been breaking up. Although the leadership in the principal countries is in confusion,

the Community itself is doing well. At a time when the Soviet Union is breaking up, Eastern Europe is dividing, Yugoslavia is exploding, India appears to be in trouble, you have terrible problems in Southern Africa, Iran may be breaking up, China is being subjected to great strains, the idea of getting people together to identify problems and decide how they're going to set up rules and institutions to deal with the problems becomes increasingly attractive.

Q: Okay, I want to thank you very much, Mike.

ELY: Well, here endeth the lesson. As the man said, I'd better stop, I've already told you more than I know.

End of interview